

Real Estate Project Analysis

Project: Collina Tinta

Location: Hurricane, Utah

Submitted: January 8, 2006



Submitted: by Susan Verlander and Lorri Moody



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We shape our dwellings, and afterwards our dwellings shape us.

-Winston Churchill

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I. PROJECT AREA INFORMATION (Hurricane and St. George, Utah)

A. Location

The subject property, Collina Tinta is located in the town of Hurricane, less than 10 miles from St George on the way to Zion National Park. The more well-known city of St. George is located in the southern tip of Utah, on the Nevada border approximately 2.5 hours from Las Vegas and 4.5 hours from Salt Lake City. The area is a picturesque desert-like valley floor surrounded by dramatic canyons and buttes. Along with the climate, the landscape provides a high majority of the market's appeal which supports the extensive outdoor recreation considered one of the driving forces in the area's lifestyle.

C. Population

The population of St. George is growing at a rate much higher than the nation's. It is a bustling town with city culture, energy and an array of choices for upscale cuisine and shopping. Hurricane is an up and coming bedroom community to St. George. It does not yet have the sophistication of St. George but it has the potential to evolve with the infusion of affluent buyers. Once affluent buyers moved to St. George from other parts of the country and supported the upscale stores and restaurants a "city-like" culture grew and changed the town which is evident today.

II. POTENTIAL BUYERS

A. Local Buyers

Due to the fact that the buyer types to be solicited are very limited in the local population we feel that the marketing efforts should be focused first and foremost on non-local second home buyers and retirees as well as semi-retirees seeking relocation.

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B. Relocation Buyers

In-migration of more sophisticated buyers has been the driving force behind the increased activity of sales in the St. George housing market. More affluent buyers are moving into St. George and Utah proven by the high percentages of in-migration shown in recent market statistics. Dramatic sales of upscale lots and homes in country club communities during the past three to five years indicates the viability of the area to appeal to the affluent real estate buyer market.

The success of the club communities has raised the lifestyle bar in St. George and set a precedent for upscale housing offerings in its market. Buyers from other parts of the country like what they are seeing and are choosing the area over other desert type markets such as California, Arizona or New Mexico. Relocation Buyers seeking a full time retirement residence or part-time vacation-lifestyle second home are coming from all across the country. It will be important to determine how much and to what level the past few years of upscale buyers were driven to St. George not only by the offerings but by the chance to capture the market on an upswing before it was fully developed. Affluent buyers are keen to getting in a market early so that they can maximize their investment dollars while enjoying the area's lifestyle. The affluent buyers like to feel as though they are getting in early and are buying at a better value than what will be offered in the future.

As long as the nation's economy remains steady and baby boomers are comfortable making the move out of their "family" homes, the market should prevail and absorptions should be realized at rates consistent with planned communities offering lot launches, multiple housing types and prices with appreciation due to price increases from phase to phase.

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III. COMPETITION (Hurricane and St. George, Utah)

Understanding that there is truly viable competition in the immediate market as well as in the second home arena will serve to drive the team to create development and marketing strategies that will give buyers the evidence and substance they are looking for to sway their decisions.



Entrada at Snow Canyon



The Ledges

Projects like Entrada have finally come into-their-own and have enjoyed substantial sales success. Projects already in the market have benefited greatly from this tipping point effect. The success of these projects and others in nearby towns closer to Las Vegas have helped greatly in establishing Utah's ability to appeal to the affluent buyer. Collina Tinta will benefit from this and be able to solicit the traffic generated from these projects. For the most part the Maverick buyers have already bought and now the opportunity exists to appeal to the Followers.

A. How Buyers Reach this Market

With the sophistication of the sales process and the availability of shopping opportunities on the Internet, buyers are able to "tour" [nearly everything for sale in](#) projects offering the lifestyle they are looking for. More today than ever before, buyers are very educated before they begin touring the communities or cities they are considering. The competition is out there but luckily is very limited in the direct market area. The quaintness of St. George and its dynamic outdoor recreational

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pursuits teamed with its climate helps it compete quite effectively with the other desert markets vying for the senior or active adult retirement or semi-retirement relocation market.

B. Why Collina Tinta?

Buyers will want to see the reasons for buying now at Collina Tinta as opposed to a purchase in an existing country club community like Entrada or The Ledges. There must be consideration given especially in the pricing structure for the newness of the area and project. If not, buyers will be less motivated to choose a non-established project over those that are up and running. Had either of these two affluent communities been not yet opened or well populated, this consideration would not be as important in the sales process.

Both Entrada and The Ledges have critical mass, food and beverage services, golf play, and resort operations for their members and homeowners already in place. It is vitally important that this information be dealt with and understood when the final development strategy is deployed in the introduction of the project to the market. In addition to selling the choice of Collina Tinta over the competition, there will be the need to sell Hurricane and the lifestyle of St. George as well. As mentioned earlier, sophisticated buyers will shop market areas in all desert climates when choosing their preferred golf club community.

With the extensive activity of the Las Vegas market and its softness or below level sales activity, buyers will look to see if deals in that market area are worth considering over the subject property. Again, these known factors should be addressed in the development and sales strategy so that solutions are in play and are understood long before implementation. It is important for the team to build a better mousetrap. It is equally as important to position it properly as an equal or better choice. This includes having the appropriate development strategy to back up the rationale behind

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making the project competitive to communities in the marketplace now and in the future.

C. Home and Lot Inventory

In the immediate future there is potential for a glut of new homes and lots to be offered in the marketplace if all of the other projects being submitted for approvals are developed and opened during a similar timeframe following the opening of Collina Tinta. Offering our lots and homes prior to the opening of many of these other projects will be very important. In addition we should have all of the potential objections answered and dealt with long before buyers are solicited and brought to the property.

D. Real Estate Brokers

In regard to winning out over the competition, it may be important to win over all of the local brokers who would potentially receive solicitation from outside buyers as to purchasing a property in the market. It will also be important to convince industry professionals such as bankers, appraisers and builders that this project is superior and more professionally programmed, and that it stands behind what it is selling.

E. Pricing

Pricing and its relationship to the project's club, community branding and positioning is very important to understand during the initial launch as well as long term. Discussions should be held regarding the Product Mix, lot and home pricing as well as the ultimate revenue expected for the project and club. Starting values of lots, lot to home ratios and inflation rates based on the market place and all of the dynamics mention here are crucial.

Besides selling lots retail or direct to consumers, a master builder program could be created that allows the developer to sell lots wholesale to merchant builders under a

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more aggressive lot takedown. The wholesale lot sales opportunity is under consideration and should be notated in the development strategy and revenue stream if pursued. Today lot values in the two club communities we studied are shown as consumer lot sales exclusively. They do not include merchant builder with bulk builder purchases. The price for non-amenity lots start in the \$300k price range up to \$1mm for lots with canyon and butte views.

F. Merchant Builder Programs

There appears to be a merchant builder offering club style casita villas in The Ledges that will feature a model home. These homes are supposed to start in the \$500's but the agent mentioned that she expects prices to range in the \$600's and up. In Entrada patio homes are priced by heated square footage and are shown on a price sheet we received at \$195 per foot with starting home prices in the \$400's.

II. COMMUNITY POSITIONING

A. Existing Communities

The positioning of the existing communities in the market is a mixed message of upscale country club living simply "surrounded" by collections of homes. They are not presented as a complete lifestyle within your home and your club. Smaller single-price point subdivisions have sprung up all around the planned communities and are offered as one-off type choices with the convenience of lifestyle "across" the street without the big price tag.

B. Collina Tinta

As mentioned earlier in this report Utah and St. George have proven their ability to attract a strong relocation market for part-time vacation lifestyle homebuyers and retirees seeking full-time retiree housing now and for the future. The overall positioning of Collina Tinta as a second home and pre-retiree or retiree destination

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should be explored to capitalize on these buying trends evidenced by the national and local market statistics.

There are certain positioning elements that should be considered and used in determining the final branding as well as product mix and amenity programming. Attention should be paid to the packaging of the Jack Nicklaus, Jr. name in the golf component as well as in its overall club component. A combination of the elements shown here must be considered if we are to ensure that buyers see the value of considering a purchasing beyond the St. George or other desert market areas:

Positioning Factor One - Master Planned Community

Knowing the number of lots is expected to be over 1,000 serious consideration should be given to offering multiple product types in the homes or lots to be created. Creating a complete MPC with multiple neighborhoods showcasing merchant and custom builder programs all sharing a club community lifestyle would allow for faster absorptions and broader market appeal.

Positioning Factor Two – Master Marketing / Umbrella Branding

Even when multiple products or villages are offered in a community such as an MPC - a single brand and name is built in the market place. We created master marketing for Vellano as a Tuscan-style country club community. Likewise, Collina Tinta must be recognized as a single upscale location or brand that stands out from the competition. It must be known as a destination and understood as a community with various types of lifestyle offerings in the homes and in the club or community. The builders' collections must simply be small subscripts to the dominant image of the project's "brand". The developer must create this umbrella brand in the master marketing program. This is how we influence a buyer to choose or consider a project over its competition. The marketing focus for Vellano was the community's superior private, gated country club lifestyle. Its perceived value was built through a

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strong public relations campaign that worked alongside the aggressive print and electronic media.

Collina Tinta has the potential to achieve the sales absorptions projected and the lot and home prices desired if a similar marketing strategy and project positioning is followed. If Builder's are brought to the table to offer multiple home types and prices they will contribute to the master marketing campaign budget and allow the developer to guide and direct how these dollars are spent to build the overall brand. The builders' will be able to have their sales teams only focus only on the sale of product since the Buyers' we generate for them will be sold on the lifestyle of the community in our Community Sales Gallery before they are sent to the model homes or builder sales offices.

Positioning Factor Three - Complete Club and Resort Style Lifestyle

The country club should be programmed to offer amenities and services that our buyers are looking for beyond the competition. Focus studies will help determine the nature of these amenities. For Collina Tinta it will be important to sell the lifestyle first and real estate second. Luckily the only project that seems to truly promote this type of selling is an age restricted community located more than an hour away. Following the commitment to promote the lifestyle and club living first before the housing should be carefully monitored in every aspect of the project's marketing and branding.

In addition to the overall project branding and positioning, the professionalism of the programming of the club and it amenities will be an important factor in how the buyer perceives the project over the competition. This means our customers will need to be educated on how "their" club is going to be created and how much better the lifestyle is going to be. These buyers will want to see if the club package is complete and not just pretty hardscapes and softscapes. They will want a package of

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services and amenities equal to or better than the competition so that they are confident in buying in a new project, located further out than the established communities located closer in.



Entrada Country Club



Entrada Country Club Dining



Entrada view from Country Club



Entrada Pro Shop



Entrada Fitness Center



Entrada Indoor Pool

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The Ledges Country Club



The Ledges Dining Area

Positioning Factor Four - Signature Jack Nicklaus Jr. Golf Course

Collina Tinta will offer a signature course by the well known golf course designer Jack Nicklaus Jr. It will be important to market this designer and his signature design to compete with The Ledges (designed by Matt Dye) and Entrada (designed by Johnny Miller).



Entrada by Johnny Miller



The Ledges by Matt Dye

Positioning Factor Five - Better Value

Collina Tinta should appear to be a better “value” at least in the early stages (where we play up the opportunity to buy in an “up and coming” town that has not yet arrived – this will allow us to turn any negative perceptions present from the lack of sophistication of Hurricane or its remoteness into positives). Allowing prices to start lower especially at pre-opening then climbing from phase to phase will help buyers see the chance to build value and equity. This will contribute greatly to pulling them

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away from the more established competition and help them feel the sense of buyer urgency needed to put them in a buying mode early on in the project. The buyers currently lined up for the first sales of lots will need to understand that flipping will not be encouraged or allowed.

The project will need to start big and stay big with real sales to real buyers. Telling buyers they can get slightly more bang for their buck if they buy now as opposed to later without lowering the affluence of the project will put the project on the map and feed the sales momentum needed for solid market positioning at start up. It will be important to not show the specifics of future lots or pods to support the sense of urgency created.

Positioning Factor Six - Tuscan/Mediterranean Architecture

The Tuscan/Mediterranean architectural style is missing from the market. There is a high influence of the desert/adobe style architecture in the two competitive golf communities. It will be important to effectively present the architectural positioning of the community. This too will help it to stand out in the market place. The Tuscan/Mediterranean design should be consistently carried throughout the community from the smallest details in the entry monuments, to club facilities and basic architecture. This consistency will showcase how the community is unique and clearly stands out from the competition.

Beyond the main entry, village entries will be important too, to help define the various clusters or pods of multiple types of product recommended for the product mix. The entire master merchandising of the project should have the Tuscan feel and create a sense of authentic upscale quality and timelessness. Lamp posts, street lights, mailboxes, directional signs, club signage, landscaping treatments and lighting all play into how the buyer will receive and value their first impression of the project.

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Adobe/Desert Style (Entrada and The Ledges)

Positioning Factor Seven – Unique, Better and Resort Style Home Plans

The home plans currently offered in the competitive communities should be studied carefully by the team to determine which plans are the best sellers and are filling the needs of the buyer market. In addition, they should be studied equally to determine which designs are potentially missing. Focus groups will allow the team to garner additional information to confirm that we move in the right direction by creating product that fills the needs of the buyers.

Positioning Factor Eight-Community open to LDS and non-LDS Families

In the positioning of Collina Tinta buyers will need to understand that both LDS and non-LDS members will be welcome in the club and the community. Research indicates that there is a significant amount of non-LDS buyers already in the other club communities. Educating the buyers should be relatively easy as the proof is already in the pudding.

Positioning Factor Nine – City of Hurricane

Buyers will also need to be convinced to purchase in the submarket of Hurricane. They will need to see that their basic needs can be met through the services offered in Hurricane without having to travel to St George. Buyers will need to feel the value of driving further away from the city area of St. George which is clearly more

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established and cosmopolitan at this time. The positioning at introduction will not simply be based on the theory of location, location, location, but more importantly on early purchasing to bring future value or potential appreciation resulting in equity. Buyers will need to feel that they are helping build a town. Most affluent buyers want to feel as if they are in a position of control, leadership and are contributing to building something like a legacy. This is one of the primary reasons TND (Traditional Neighborhood Developments) are doing so well. Families feel like they are building their own town.

III. COMMUNITY BRANDING AND MARKETING

A. The Brand

Creating a brand that emulates the positioning of the community is very important. It will be important to have a strong agency on board to create the right logo, color palettes and styling for the icon or graphic. The development team should oversee how this brand used by the builders in their promotions and sales collateral which will help convey a consistent and dominant message over the competition in the market. Even the colors used in the sale gallery and builders' model homes should be driven by the Tuscan element and branding chosen for the community's master marketing and merchandising.

B. Marketing Plan and Budget

Appealing to a relocation market will require a significant marketing budget in order to reach the target demographic. A strong advertising and public relations plan (local, regional and national) will need to be implemented in order to drive the traffic needed for sales. The local market is simply not there so it will be important to cast a large net.

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C. Sales Collateral

Lifestyle photography and a signature photo should dominate all of the visuals produced for the project's introduction. A lifestyle DVD should be produced and accessed on the website as soon as we are ready to launch for pre-sales. This piece should go into all sales collateral and should be placed in media or print ads as much as possible. The design of the ads should rival desert-style projects like Superstition Mountain, Rancho Mirage, Vellano, Cielo, The Bridges of Rancho Santa Fe and Shady Canyon in California.

IV. DEVELOPMENT STRATEGY

A. Start Big, Stay Big

Given that there are two fully operational high-end golf communities in the St. George market, the development strategy needs to be driven by building credibility as quickly as possible. Initial publicity should focus on a sales launch success story. The theory is to start big and stay big. This simply means having all of the documentation and programming of the community in place before a substantial launch is executed. The program should be followed by an extensive, far-reaching publicity program that reports the success of the launch while potentially following it up with a master builder program or more consumer launches.

B. Release Multiple Products and Price Points

The appropriate development plan should be in place to support these sales and offerings without limitations. This means opening various priced pods of homes in the roll out process. Phase I should show the pods of lots that will be offered based with the price points and product mix. An initial product mix should be in place under the development strategy program so that better absorptions can be achieved along with one-stop shopping.

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Under this plan, the sales team should be able to initially take reservations and ultimately sell more buyers in a shorter time period than if a single pod or subdivision is the only known factor in its introduction. Having multiple priced products driven by a chosen product mix of lot sizes and types will dramatically increase the absorptions in the development program. Aligning these releases with the appropriate engineering and delivery is most likely the single most important factor to the success of the community.

C. Builder and Consumer Lot Sales

Consideration should be given to looking at the time line for offering home sites to the consumer market as well as merchant builders in other product types. Similar to Vellano, each builder would be given his own specific product type and price range for the duration of their participation in the community.

Sometimes it is possible that more than one builder can be active in a specific product type but this must be decided early on in the sale of lots so that a united front is presented in the market. Creating the development strategy that allows the community to start big and stay big will bring a substantially faster retirement of debt or exit strategy to the community.

It appears that projects prior to Collina Tinta have chosen to build out their golf course and club with small offering of lots during this time resulting in the sale of one price range of products before any additional product was brought online. It is our recommendation that this is not the strategy employed by the community, but rather allowing the introduction of multiple products and price ranges to occur simultaneously at the first introduction of the community to the market.

A private, consumers only launch with reservations is possible while merchant builders are being assembled for the other pods of product. Builders must all agree

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to the terms and guidelines of a complete master builder program if in fact multiple products and price ranges are introduced simultaneously under merchant builder programming. As with Vellano, this increases the opportunity for faster creation of critical mass and overall increased perceived value in the project.

D. Development Timeline

Deadlines for the delivery of the club and community's amenities should be specific and achievable or the image of the project could be flawed in the market. The value of having delivery on time is vital to the introduction of the community. The reputation of the project can literally hinge on missing these development deadlines. In addition to confirming the development strategy and its deadlines, the pricing structure for the lot, the homeowner's fees and the club dues is equally as important. Allowing appreciation in those values for early bird buyers is as important as delivery of the project, its operations, and programming.

E. Pre-Existing Conditions

There are pre-existing conditions that must be dealt with in the introduction and development of project in the market. The lots of the first pods are designed in a grid like pattern with many backing up to the main parkway. The values of these lots should act as stepping-stones to the future more valuable lots and should not be set at maximum values so early on in the development process.

There are obstructed views of lesser-valued housing on some sections of future lots that will affect some of their values.

The necessity to enter the community's main entrance through a pre-developed subdivision featuring homes priced below the housing values expected in the first phase is an issue that must be carefully addressed in the project.

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V. MASTER BUILDER PROGRAM

A. MPC vs. non-MPC

It is proven in the residential development industry that offering multiple products simultaneously that compliment each other helps MPC's (master plan communities) sell and absorb lots and houses faster. As a result of faster absorptions the project appears to be successful faster and buyers are more apt to purchase a home in a MPC over a non-MPC community. In lower productive markets or when the market place is soft, MPC's will dominate the sales and absorptions. There appears to be stability and security in purchasing in an MPC as opposed to a single point priced subdivision. With this being the case, the solicitation of substantial builders with strong purchasing power is an important part of creating the overall success of the community.

B. Builder and Consumer Lot Launch Program

To prove that the project is successful to the end users it is recommended that focus should be placed on creating a master builder program as well as an extensive private consumer lot launch presale program. This way the initial sale of lots will be to actual end users and not to builders who would have to sell the lot with a home.

1. End Users

We feel there will be more success and perception of success if end users are sold the first releases of lots while we are completing the master builder program for the community. As it was with Vellano, it is important to note that the price ranges and product types were pre-chosen by the development team before consumers were told what the community's product mix would be.

It is our recommendation that the lot presales precede the launch of model homes by the master builders. We recommend that pods A and B be pre-sold to

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high-end merchant or production builders while D is offered as presales of lots to consumers. Had pods A or B been positioned more privately and with less grid style lots we would have recommended that we sell them direct to consumers. The design and positioning of these two pods work better as production type lot sales than D which is obvious in its style and placement better served as custom or retail lot sales program.

2. Release of Multiple Product Types

It is quite possible that three different product types can be offered simultaneously or nearly simultaneously on pods A, B and C - if in fact the development strategy is created to support this offering. Once again, due to the large number of lots to be built and sold we believe the start big, stay big MPC development strategy of multiple products and multiple price points is best. It would also be important that the community not be pigeon holed in the minds of the buyers as simply one product type. This way, multiple types of buyers can be driven to the community from the marketplace utilizing the same marketing dollars.

3. Merchant Builders

Currently, we are privately soliciting high-end merchant builders from outside markets to consider buying lots in pods and offering Tuscan style product with the necessary modifications to their current home collections. A complete status report of the builders will be created including comments regarding their reaction to the project once the final product mix and pricing is confirmed and agreed upon.

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C. Sizes and Types of Lots

Sizes and types of lots should be evaluated and should be as concrete as possible so that achievable revenue is defined and used as the minimum performance for the project. It appears that none of the pods are oversized in their land mass and will work well in the mix of small neighborhoods released as pods in each phase. As a pod begins to sell out it is replaced with a new pod offering the same type product only at higher prices until this product type is sold out. Builders enjoy the economies of scale by selling and releasing product sold from their models. Meanwhile, the developer has faster absorptions in the sales success that he has helped the builders achieve.

VI. SALES PROGRAM

A. The First Sales

Offering buyers the chance to get in early is a good first step in launching the project to the affluent market. Close attention must be paid to completing all of the necessary documents before any contracts are accepted and finalized. It is also vital to monitor how many speculators are allowed to buy. Even in the most dynamic communities severe problems have occurred when speculation type buyers outweighed the numbers of real buyers and club memberships were never used or acted upon. Flippers became the development's biggest competition and drove prices up so high that these inflated values slowed the absorptions and ultimately shut down the project's sales momentum. It is the fast nickel, slow dime theory along with the saying that the first 150 lots are the easiest to sell and the last 150 the hardest.

B. The Competition

The two major competitors worth mentioning that focused on selling to high-end consumers seeking golf lifestyle communities for second homes or retirement were

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Entrada and The Ledges. Both have homes for sale and club operating with completed golf programs.



Entrada Sales Office



The Ledges Sales Office

1. Sales Agents

The agents in each community worked out of garage spaces with unsophisticated sales materials and displays. They did not seem to understand lifestyle selling but did appear to know their product and were able to race through their community's offerings in pre-rehearsed selling pitches. None of the agents aggressively tried to qualify or register us but did seem to be knowledgeable about the fact that more than likely we were relocation buyers. The agents did not spike our emotions or give us the sense of urgency relocation buyers need to move ahead in their buying decisions.

The agents we encountered started as general brokerage licensees before moving out of general real estate to commit to onsite project sales. In fact, one of the agent's at The Ledges still has a brother that could have shown us other projects had we wanted to look elsewhere. Again this type of selling is not allowed in high-end club communities and is discouraged in all onsite sales programs including the builders participating in the master builder programs. We do not want out marketing dollars to generate traffic that is taken elsewhere. This could

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result in termination from the project for the agent and the builder. Again all of these rules are set out in a complete sales program while the project's start up is underway.

It will be determined by focus studies and hands on research as to what level local brokers need to be included in the project's introduction or sales to the market. Each market and project is unique and must be dealt with based on the results of our findings.

2. Sales Programs

Not one of the community sales programs had dramatic sales galleries or professional sales programs like the ones created in the top selling resort or club communities today. As with Vellano every buyer is driven to visit the project's sales gallery first before being sent to the model homes of the builder's active in the community's master builder program. All qualifying is done at the gallery and buyers are registered so that the sales staff of the builder and the developer's staff in the gallery both provide follow up. Not one agent at Entrada or The Ledges has in any way tried to follow up with us.