

Price Increase Impact Assessment

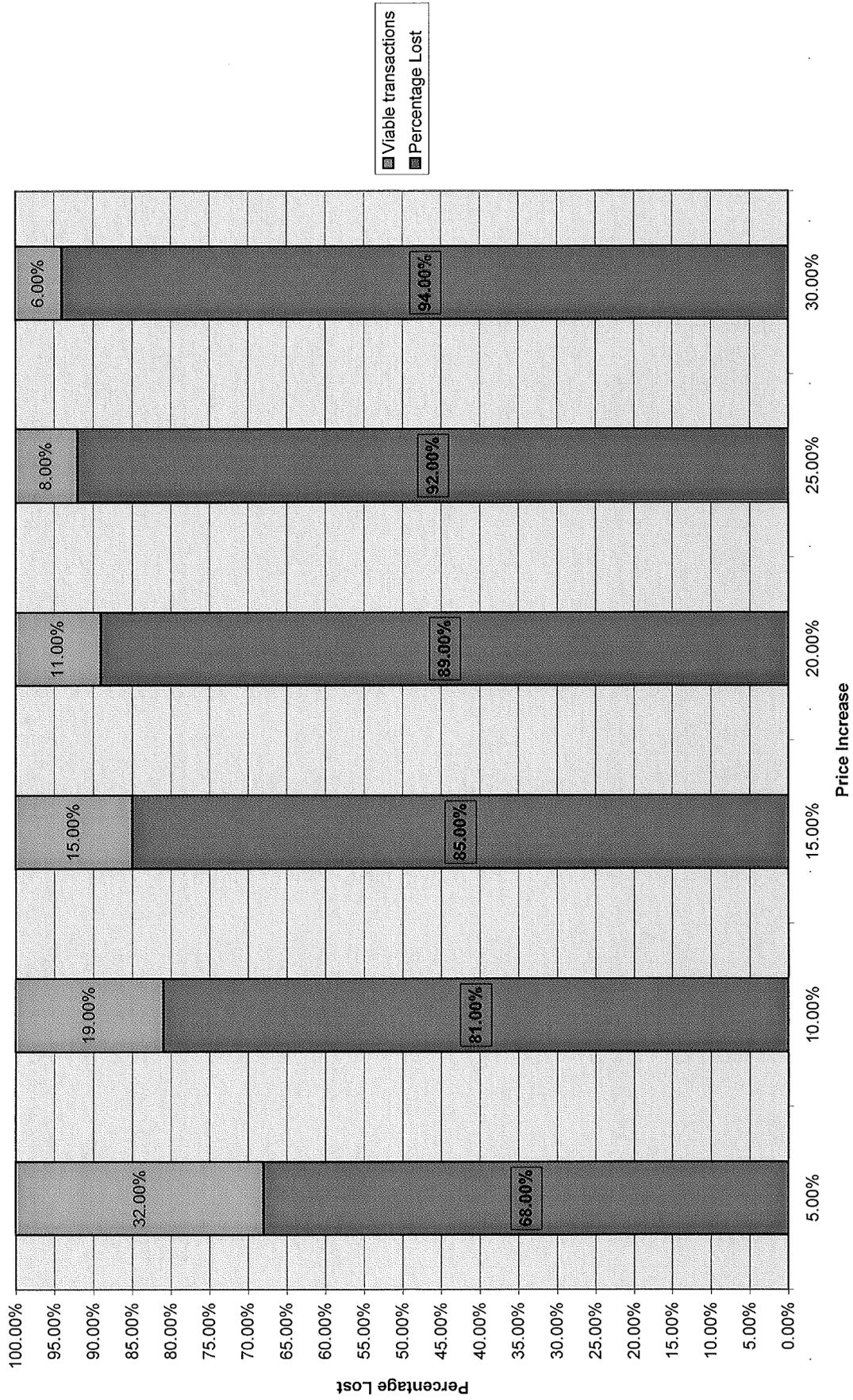
In the fiscal year to date, we have funded 101 construction loans throughout the Pacific Northwest. The state of the financial markets including the real estate valuation challenges and soft market implications have had a significant impact on our ability to obtain financing for our customers. My analysis of the most recent years funded loans indicate that any increase to the base price of the Adair Home would have a catastrophic effect on the number of transaction we would be able to complete. Furthermore, the lost revenue would make it impossible for us to sustain our company at its current level and severely impact the lives of our employee.

The assessment analyzed the implications of a price increase starting at 5% and increasing in 5% increments to 30%.

The findings are as follows;

- A 5% increase would result in a significant loss in gross revenue and cause a reduction in the size of our corporation. At 30% the loss would not be sustainable and result in the possible closure
- 68% of our customers would no longer be able to obtain financing with a 5% increase in price. This number increases to 94% when a 30% price increase is applied.
- The lost transactions were predominantly due to valuation implications
- Approximately 5% of the total loses were due solely to a customers inability to afford a price increase
- FICO score implications were not included. And addition 5% fallout is likely due to LTV/FICO guideline restrictions

Price increase impact



Costs of Proposed Code Changes

based on a **1,192 sq. ft.**, one-story home

Current New Home Price	
with 8% Sales Tax	\$73,061
Cost of Proposed Code Changes	\$14,659
Total New Home Price	\$87,720

PROPOSED CODE CHANGES ADD 20% TO PRICE OF A NEW HOME.

Total Cost of Proposed Code Changes
+\$14,659
To the Price of A New Home

Proposed Code Changes Add 20% to Price of Home

Source: Adair Homes, Inc.

Proposed Code Changes	Cost
■ Raised heel trusses	\$3929
■ R49 ceiling insulation	\$286
■ Ductless heat pump	\$5429
■ Insulated headers	\$571
■ .32 R-Value windows	\$429
■ Digital zonal elec. heat	\$500
■ Air leak testing	\$2143
■ 50% CFL lamps	\$286
■ Sales tax: 8%	\$1086
Total New Costs	\$14,659

Costs of Proposed Code Changes

based on a **1,952 sq. ft., one-story home**

Current New Home Price	
with 8% Sales Tax.....	\$116,133
Cost of Proposed Code Changes	\$23,760
Total New Home Price	\$139,893

PROPOSED CODE CHANGES ADD 20% TO PRICE OF A NEW HOME.



Total Cost of Proposed Code Changes
+\$23,760
To the Price of A New Home

Proposed Code Changes Add 20% to Price of Home

Source: Adair Homes, Inc.

Proposed Code Changes	Cost
■ Raised heel trusses	\$4214
■ R49 ceiling insulation	\$571
■ Ductless heat pump	\$5429
■ R21 & R4 wall system	\$2029
■ R38 insulated floor	\$1643
■ Insulated headers	\$1071
■ .25 R-Value windows	\$3761
■ Digital zonal elec. heat	\$643
■ Air leak testing	\$2143
■ 50% CFL lamps	\$496
■ Sales tax: 8%	\$1760
Total New Costs.....	<u>\$23,760</u>

Costs of Proposed Code Changes

based on a **2,659 sq. ft., 2-story home**

Current New Home Price \$138,090
 with 8% Sales Tax \$27,729
 Cost of Proposed Code Changes \$27,729
 Total New Home Price \$165,819

PROPOSED CODE CHANGES ADD 20% TO PRICE OF A NEW HOME.

Total Cost of Proposed Code Changes
+\$27,729
 To the Price of A New Home

Proposed Code Changes Add 20% to Price of Home

Source: Adair Homes, Inc.

Proposed Code Changes	Cost
■ Raised heel trusses	\$4214
■ R49 ceiling insulation	\$429
■ Ductless heat pump	\$6000
■ R21 & R4 wall system	\$4000
■ R38 insulated floor	\$1786
■ Insulated headers	\$1214
■ .25 R-Value windows	\$4440
■ Digital zonal elec. heat	\$821
■ Air leak testing	\$2142
■ 50% CFL lamps	\$629
■ Sales tax: 8%	\$2054
Total New Costs.....	\$27,729