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 transactions 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
Total New Costs: $14,659

- Sales tax: 8%
- 50% CFL lamps
- Air leak testing
- Digital zonal elec. heat
- Insulated headers
- 32 R-Value windows
- 571
- Ductless heat pump
- R49 ceiling insulation
- Raised heel trusses

Total Cost of Proposed Code Changes: $14,659

With 8% Sales Tax: $15,306

Cost of Proposed Code Changes

Based on a 1,929 sq. ft., one-story home
Total New Costs: $23,760

- Sales tax: 8%
- 50% CFL lamps
- Air leak testing
- Digital zonal elec. heat
- 25 R-Value windows
- Insulated headers
- R38 insulated floor
- R21 & R4 wall system
- Ductless heat pump
- R49 ceiling insulation
- Raised heel trusses
- $116,133

Cost of Proposed Code Changes: $139,833

Current New Home Price: $116,133

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

Proposed Code Changes add 20% to price of home.
Costs of Proposed Code Changes

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

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

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

<table>
<thead>
<tr>
<th>Proposed Code Changes</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raised heel trusses</td>
<td>$4214</td>
</tr>
<tr>
<td>R49 ceiling insulation</td>
<td>$429</td>
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<tr>
<td>Ductless heat pump</td>
<td>$6000</td>
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<tr>
<td>R21 &amp; R4 wall system</td>
<td>$4000</td>
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<tr>
<td>R38 insulated floor</td>
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<tr>
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<tr>
<td>50% CFL lamps</td>
<td>$629</td>
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<tr>
<td>Sales tax: 8%</td>
<td>$2054</td>
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</tbody>
</table>

Total New Costs.............. $27,729

Source: Adair Homes, Inc.