

Prepared for: Newland Sierra LLC

San Diego, California

PRODUCT &
CONSUMER
INSIGHTS
2016

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Introduction

Client: Newland Sierra, LLC

Study Objective:

The objective of our research is to better understand today's consumers and what they want next in their community and in their homes. Our goal in this research is to provide better tools to make more informed decisions with community and home designs for the future by listening to consumers.

Sample Size:

Respondents include new home shoppers that registered interest with new home builders and developers online or in their sales office. Our questions are all focused on future home preference.

National Sample: 21,848

San Diego Sample: 547

The current sample has a confidence level of 95% or greater with an interval of 5 or less depending on the question.

Methodology:

Over 1 million new home shoppers were invited to participate in a comprehensive 100+ question survey about what they want in their next home. The survey was sent by builders and developers directly to their permission based prospect list. Consumer Insights 2016's survey included over a 100+ variables on lifestyle, attitudes, and overall desirability related to location, community, and home preferences.

Methodology and Limiting Conditions

The conclusions and recommendations presented in this report are based on consumer feedback from John Burns Real Estate Consulting's Consumer Insights 2016 survey provided online to new home prospects from late 2015 to early 2016. The key findings enclosed are based on our opinions upon review of the results accompanied with each subject. The Consumer Insights 2016 survey included over a 100+ variables. The summary found within this report is intended to be an executive summary of the San Diego MSA in comparison to the nation for the questions selected enclosed. It is our assumption that the information is correct and reliable based on consumer feedback through this survey.

We have no responsibility to update our analysis for events and circumstances occurring after the date of our report. This analysis represents just one resource that the Client should consider when assessing this development opportunity.

More detail can be provide upon request. For more information about this report, please contact for more detail:

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Executive Summary

New Home Shopper Profile

Primary focus: San Diego

Who's Your Shopper?

- **The primary new home shoppers in the San Diego MSA today include:**
 - **Lifestage:** Mostly mature couples and young families
 - **Generations:** Boomers and Gen X
- **59% of San Diego new home shoppers are Caucasian.** San Diego is more diverse than the nation with a higher percentage of Asian, Hispanic, and those that identify as other.
- **Approximately 19% of San Diego's new home shoppers rent today.**
- **Multigenerational housing will continue to grow in San Diego:**
 - 42% want to accommodate aging parents in their next home;
 - 40% want to accommodate 18+ children in their next home.
 - Plan for 30% of your mix to include multigenerational housing for greater segmentation.
- **15% of your new home shoppers currently live with 3 or more adults present.**
- **Plan for pets.** Over 50% have pets or are planning for pets.

Consumer Attitudes and Motivation

Primary focus: San Diego

What's Important to Them?

- **They expect personal service, quality, and knowledge. Their top attitudes:**
 - These family-centric buyers want to do their own thing and be free from expectation.
 - They want to disconnect versus connect at home.
 - They are practical yet they expect a premium life.
 - They are focused on knowledge and health.
 - They are looking for personal and custom service.
 - Quality is more important than look or feel.
 - They do not want to live beyond their means and they have the luxury of no credit card debt.
 - Spending time with family is #1.

What will motivate them to move?

- **Their top obstacles?** Lack of inventory and they cannot find what they are looking for.
- **Prompts to shop?** Interest rates, home size change, and new features and design.
- **71% are looking for a better design** over a larger home or shorter commute time.
- **Most important features in home?** Interior style followed by function (and not size).
- **Most important in next home?** SFD, affordability, and low maintenance.
- **Lifestage change or design driven?** 51% are moving for design; 39% are moving for lifestage change.
- **Only 23% of your consumers is dissatisfied** with their current home. You must give them an emotional "tug" to move or they will stay where they live today.
- **Buying a new home is about** customization, affordability, and personal value.

New Home Preferences

Primary focus: San Diego

What do they want in next home?

The following is a high level summary of general home preferences for the San Diego area:

- **Product Type and Configuration:**

- 75% want single-family detached.
- More want 1-story living. Only 24% want a two-story home with a master up.
- The majority of your new home shoppers – 54% -- would prefer a conventional lot (i.e., driveway is loaded directly off of a neighborhood street as shown to the right).
- 44% of your new home shoppers would consider a small lot SFD home as long as it includes a full drive. Only 14% would consider a small lot SFD home with no driveway.
- 18% would consider an attached alternative (most preferring townhomes over flats). The least preferred was a single level stacked flat at 7%.



Conventional Plotting/Lot

- **Primary Size and Home Preference:**

- **San Diego:** 1,500 – 2,500 1&2 Story 3-4 bds

- **Garage:** 2- to 3-car garage
- 45% want a great room plus 1 formal space; only 13% want a formal layout.
- 69% want a secondary bedroom down! 27%+ would consider a multi-gen suite.
- **Primary entertainment:** Family/great room followed by the kitchen.

Outdoor Preferences

Primary focus: San Diego

What do they want in next home?

- San Diego new home shoppers want **outdoor space for privacy first** followed by entertainment and recreation.
- **86% of your new home shoppers said they would accept a smaller yard** if the yard was designed for entertainment. 62% said they would take a smaller yard if an outdoor fireplace was included instead.
- **Smaller yard means what? 38%** said they would take a 15' or less.
- 42% chose a small yard with a **covered outdoor room with a fireplace as their top backyard preference.**

Community Preferences

Primary focus: San Diego

What do they want in community?

- **The majority of your new home shoppers want a popular and active location** within 15-60 minutes of the city core. A popular and active location is a place where there is retail, entertainment, and activities to enjoy.
- **Your new home shoppers (40%) prefer a masterplan** as their ideal lifestyle and will pay a 5% premium.
- **Top masterplan community amenities:**
 - **Central recreational/fitness center**
 - A recreational center that can be reserved for events or parties
 - Offer a state of the art fitness center
 - Include a yoga/Pilates studio as part of the recreational center
 - **Provide walking trails and places to exercise**
 - **Social programming/arts & entertainment**
 - A must! Just as important as physical amenities
 - Provides a compelling lifestyle and help build a new social network
 - Activities such as concerts in the park, holiday events, etc.
 - **Technology is important**
 - Offer free Wi-Fi internet access in public areas
 - Build your community with high-speed internet
 - **Do not forget about the simple amenities like the grocery store or restaurants.**
 - Four of the top fifteen amenities relate to the simpler amenities. New home shoppers want a closer grocery store and restaurants, a village square, and other kinds of shopping.
 - These amenities are both a “need” and a “desire.”

Retirement Trends

Primary focus: San Diego

Where do they want to retire?

- **Your mature consumer enjoys working, however, 45% want to retire.**
- **66% of mature San Diego new home shoppers prefer a multigenerational neighborhood.** However, the 34% that want a childless community can add segmentation and absorption to your community.

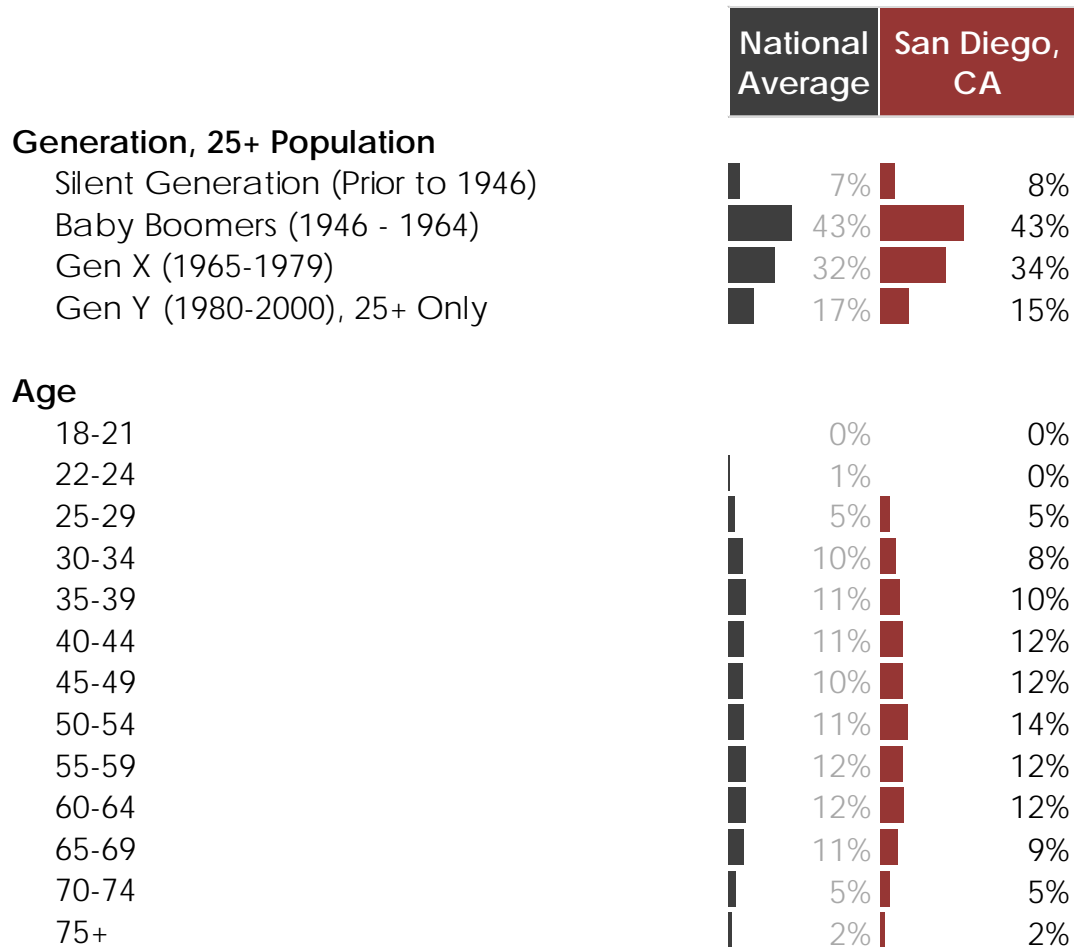
New Home Shopper Profile

The majority of San Diego consumers are mature non-family followed by young families. Only 11% shopping for a new home are single.

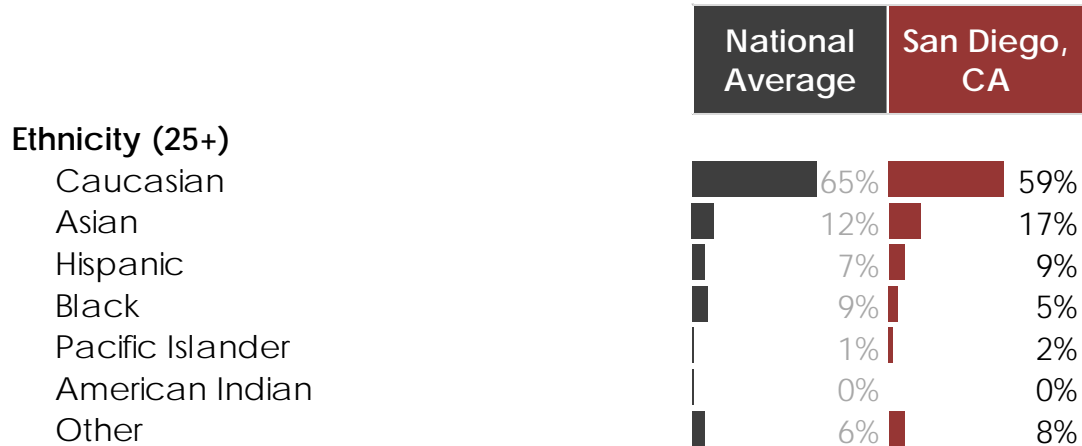
- 47% of San Diego new home shoppers are mature non-family – most of which are mature couples.
- 23% of San Diego new home shoppers are young families. (i.e. with their youngest child 11 years of age or younger)

	National Average	San Diego, CA
Lifestage		
Young Non-Family	11%	13%
Young Single	4%	5%
Young Couple	7%	8%
Family	38%	36%
Young Family	25%	23%
Mature Family	9%	10%
Mature Plus Family	4%	3%
Mature Non-Family	46%	47%
Mature Couple	20%	22%
Mature Single	6%	6%
Retiree	20%	19%
Other	5%	4%

Boomers (43%) are your #1 target audience followed by Gen X. Your new home shoppers are mostly 35 to 64 years old. Expect Gen Y in full bloom by 2019.



59% of San Diego new home shoppers are Caucasian. However, local new home shoppers are more diverse than the nation, with higher percentages of Asian and Hispanic new home shoppers.



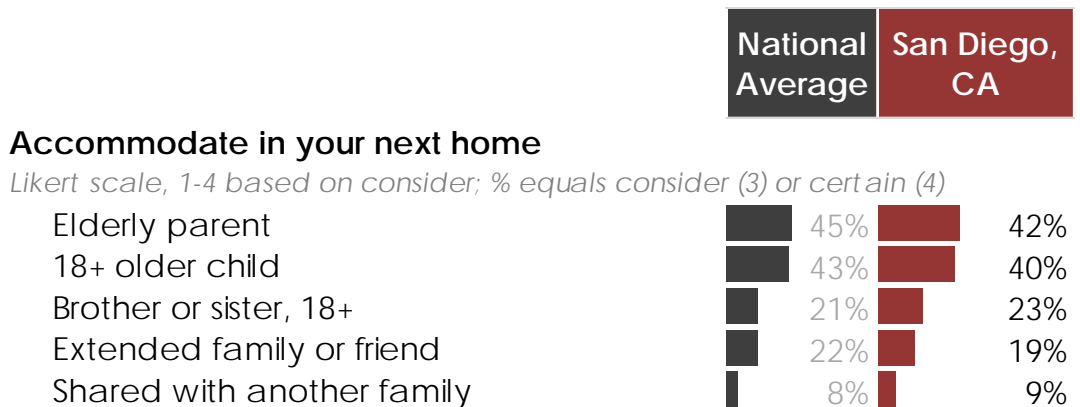
Most of target consumer own a home today. Only 19% are renting in San Diego.

- 77% of San Diego new home shoppers already own a home with or without a mortgage.
- 44% plan to use savings and investments for their down payment for their next home. 49% are counting on equity.
- 62% plan to put 20% or more down on their next home.



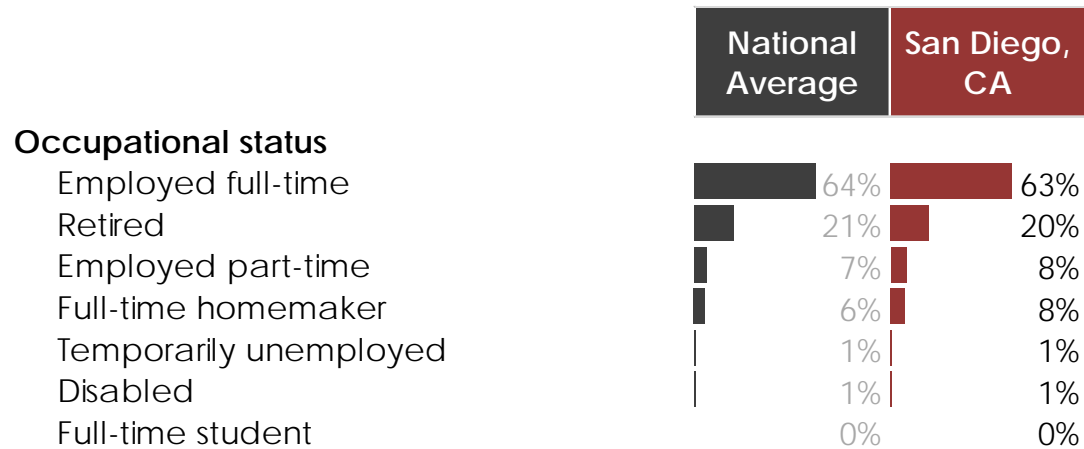
The opportunity for multigenerational housing is huge. Target at least 30% of your mix with multigenerational suites. Provide a bedroom on level 1 for all plans possible.

- Multigenerational opportunity is big for San Diego:
 - 15% of San Diego new home shoppers currently have three or more adults living in the same household;
 - 42% want to accommodate aging parents in their next home;
 - 40% want to accommodate 18+ children in their next home;
 - 16% of the mature San Diego new home shoppers are considering investing in their children’s home with an extra suite (i.e., to visit and potentially share);
- Plan for 30% of your mix to include a multigenerational suite.



Note: A "Likert scale" is a common approach to scaling responses in survey research. The question above allowed consumers to select on a scale of 1 (not applicable) to 4 (Will for Sure) how likely they would choose variable. The percentages above represent the percentage of consumers that selected 3 or 4 (i.e., "Would Consider" or "Will For Sure").

The majority are employed full-time (63%). Only 20% are retired.



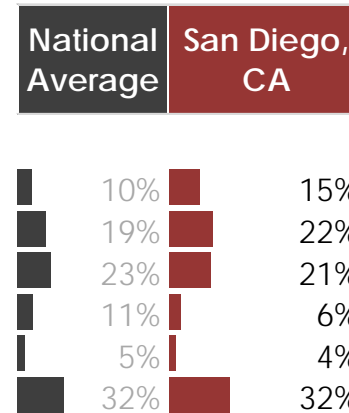
Support at-home work environments in your community and home design. 42% of San Diego consumers work at home at least 1 day a week. 13% work at home full time.

- Consider showing a formal office in at least one of your models. Many new home shoppers in San Diego are looking for this space.

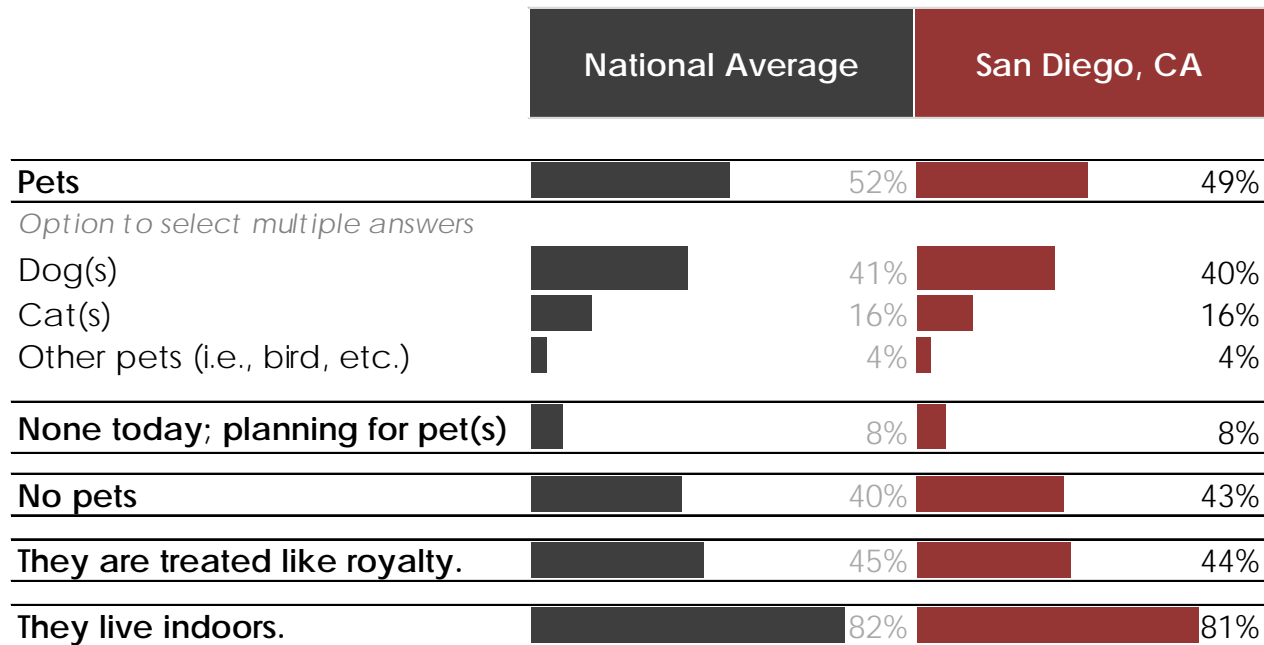


58% drive 40 minutes or less to work. Only 4% of these new home shoppers will commute over an hour to work.

Length of commute (one way)

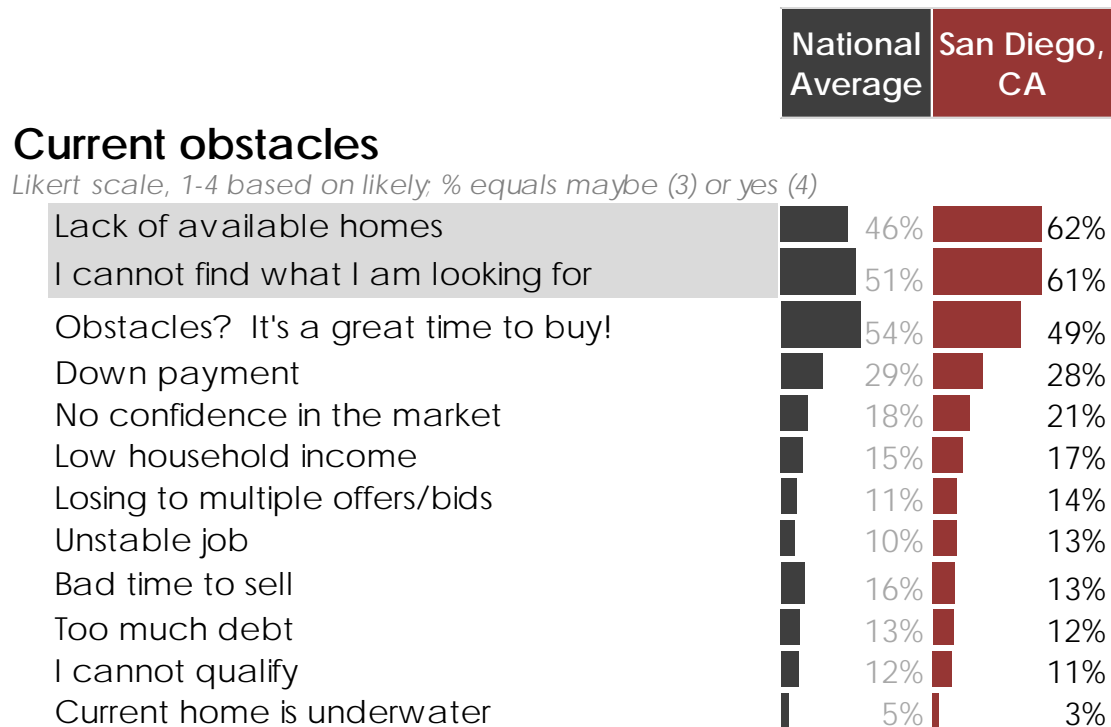


Plan for pets in community and home designs. 57% have pets or are planning for pets. 44% (of the 57%) treat their pets like royalty. Most consumers let their pets live indoors.



Consumer Attitudes and Motivation

Your biggest obstacle and opportunity is 61% of your consumers cannot find what they are looking for. Lack of inventory is another obstacle in San Diego.



Note: A "Likert scale" is a common approach to scaling responses in survey research. The question above allowed consumers to select on a scale of 1 ("No") to 4 ("Yes") how likely they would choose variable. The percentages above represent the percentage of consumers that selected 3 or 4 (i.e., "Maybe" or "Yes").

What will motivate them to move?

Home design is #2 with location as #1. Interior home design can add substantial value to the community and your success. Home design is also the only opportunity you can change amongst their top 3 motivations to move.

Home Buyer Motivation:



Home design beats schools, safety, community amenities, energy savings, etc. It should be a very big focus!!

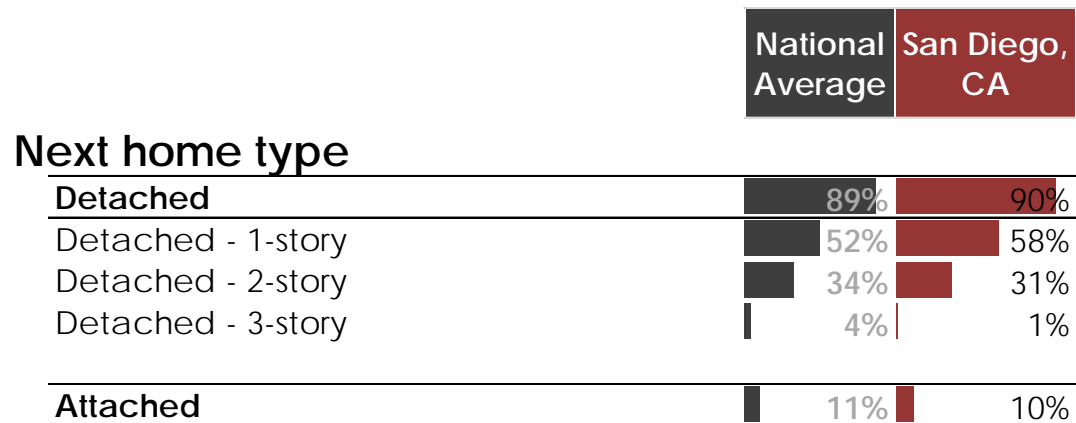
Top motivating to buy a new home

Percentage = Preferred Ranking

	National Average	San Diego, CA
Location	89%	92%
Home design	85%	89%
Price	80%	79%
Safety	59%	57%
Neighborhood street appeal	50%	55%
Energy savings	41%	38%
Community amenities (i.e., pool, etc.)	43%	38%
Schools	39%	36%
Accessibility	35%	29%
Environmentally sensitive practices	16%	19%
Prestige	12%	13%

New Home Preferences

San Diego new home shoppers clearly prefer detached. The majority of your mix should be single-family detached. The majority prefers 1-story living.

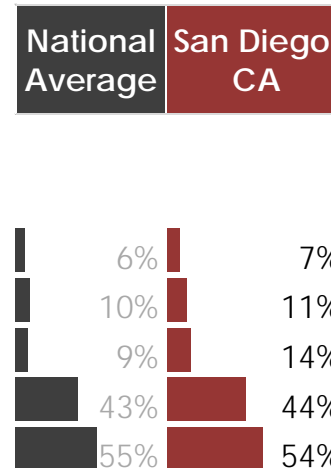


Your new home shoppers want a full yard; however, 44% would consider a small lot with a full driveway. 18% would consider an attached alternative (most preferring townhomes over flats). The least preferred was a stacked flat at 7%.

Lot Configuration Preferred

Option to select multiple answers

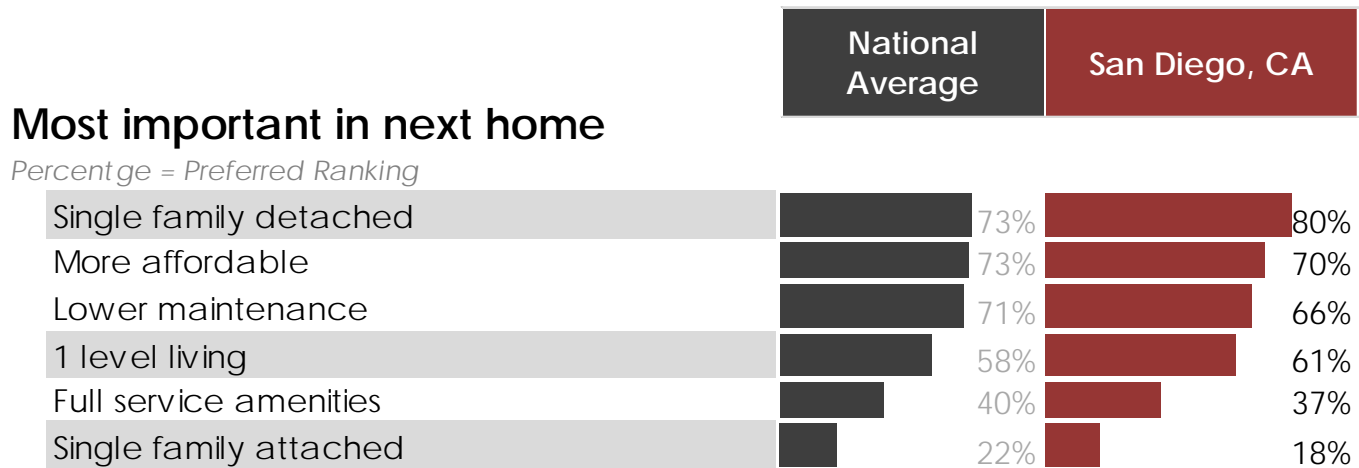
- SFA Single level flat, multiple level
- SFA Townhome
- SFD Small Lot, no driveway
- SFD Small Lot, full driveway
- SFD full yard and driveway



Note: A full yard is 30 feet.

SFD is #1 followed by affordable and low maintenance. Attached is the least likely alternative.

- The intent of this exercise is to test the importance and value of higher priced product alternatives like 1-level living or single family detached.
- San Diego consumers want SFD and an affordable home.
- Small lot detached could be an alternative.



79% want a new home. 34% are likely or very likely to consider resale as an alternative. Personalization and customization of their new home is why they want to buy a new home.

Next Home Preference

Likert scale, 1-4 based on Importance; % equals Important (3) or Very Important (4)

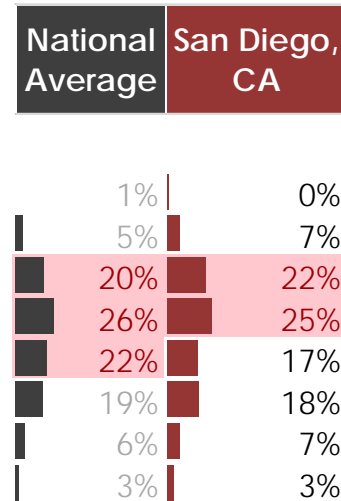


Note: A "Likert Scale" is a common approach to scaling responses in survey research. The question above allowed consumers to select on a scale of 1 ("Would Not") to 5 ("Only Option") how likely they would choose variable. The percentages above represent the percentage of consumers that selected 3 or 4 (i.e., "Very Likely" or "Only Option").

San Diego consumers want homes between 1,500 and 2,500 square feet.

Home size preference

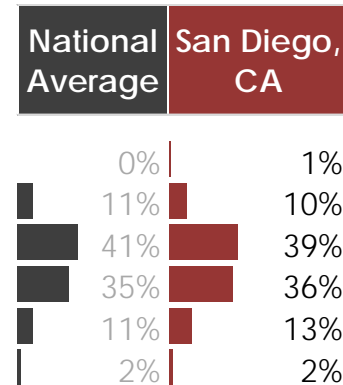
Less than 1,000 square feet
 1,000 to 1,499 square feet
 1,500 to 1,999 square feet
 2,000 to 2,499 square feet
 2,500 to 2,999 square feet
 3,000 to 3,999 square feet
 4,000 to 4,999 square feet
 5,000 square feet or more



San Diego new home shoppers are looking for 3-4 bedrooms. Gen X and Y prefer 3 to 5 bedrooms; Boomers want 3 bedrooms (55%) or 4 bedrooms (23%).

Bedrooms

1
2
3
4
5
6 or more

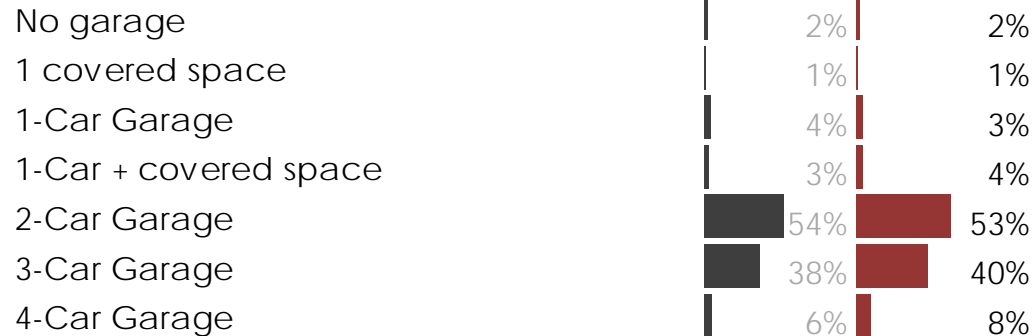


Most want at least a 2- or 3-car garage. It is almost 50%:50% for both. We recommend a mix with a 60%:40% mix. This will add to your segmentation too.

- San Diego consumers like their garage space.
- However, with new transportation options like Uber, the driverless car, etc., there should be more opportunities to convert homes to a 1-car garage if the planning departments allow for the change.

Garage size

Option to select multiple answers



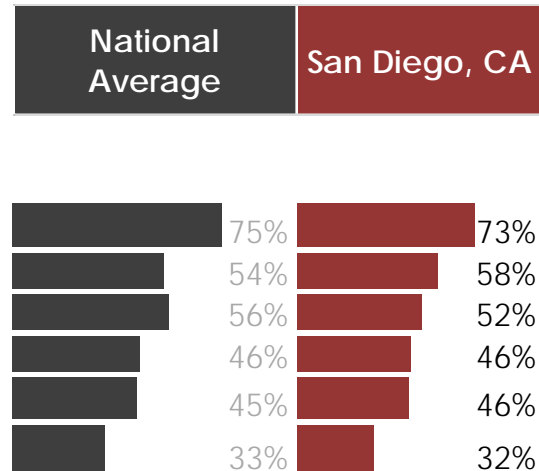
Outdoor Preferences

San Diego new home shoppers want outdoor space for privacy first followed by entertainment and recreation.

Outdoor space importance

Percentage = Preferred Ranking

- Privacy between neighbors
- Entertainment and recreation
- Children's play area
- Pets
- Connection with the outdoors
- Gardening space



42% chose the outdoor room with fireplace yard as their favorite.
Why? It accommodates entertainment and privacy.

Consider offering a covered outdoor room and fireplace standard with a smaller lot as an alternative to a standard larger lot. This could simply be another form of segmentation for the consumer that wants a smaller yard and less maintenance.

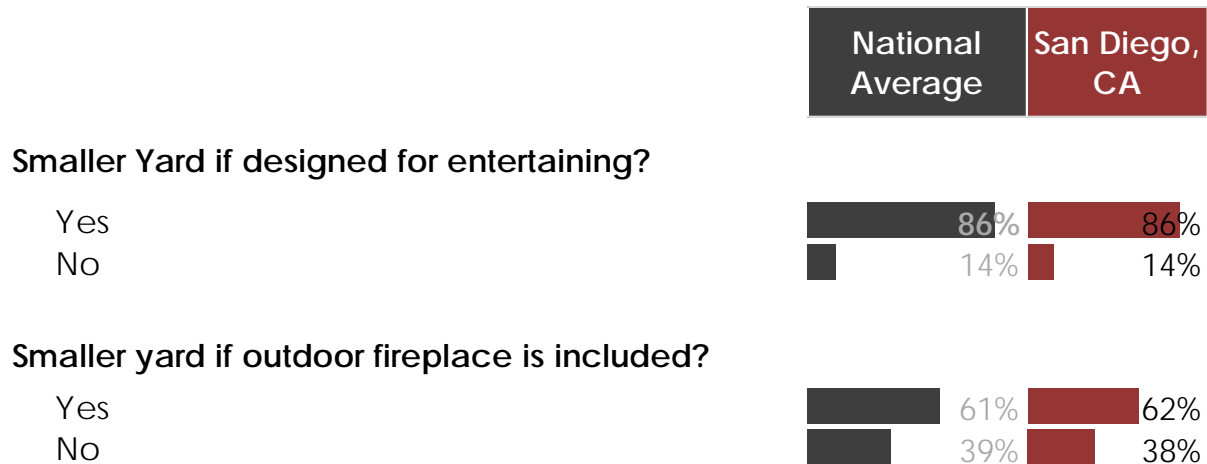


Backyard preference

- A Patio with open space
- B Large open lawn
- C Covered outdoor room + fireplace
- D Open area with views of woods
- E Open area with fire pit and seating

	National Average	San Diego, CA
A	31%	27%
B	16%	9%
C	34%	42%
D	6%	3%
E	12%	19%

86% of consumers will take a smaller yard if it is designed for entertainment.

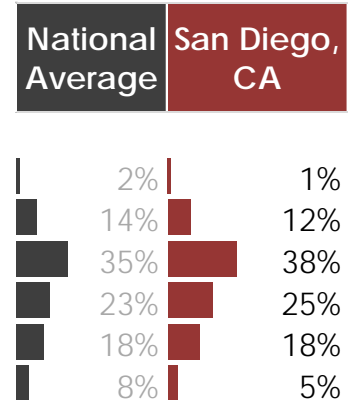


38% of San Diego new home shoppers prefer a 15' backyard. Another 12% said they would take a porch or no yard at all.

- San Diego new home shoppers have a lower interest in ½ acre+ lots than the national average.

Preferred outdoor space

No yard needed
 Porch or balcony only if view
 15' or less if light and entertainment
 20' to 30' feet
 30'+
 1/2 acre+



Community Preferences

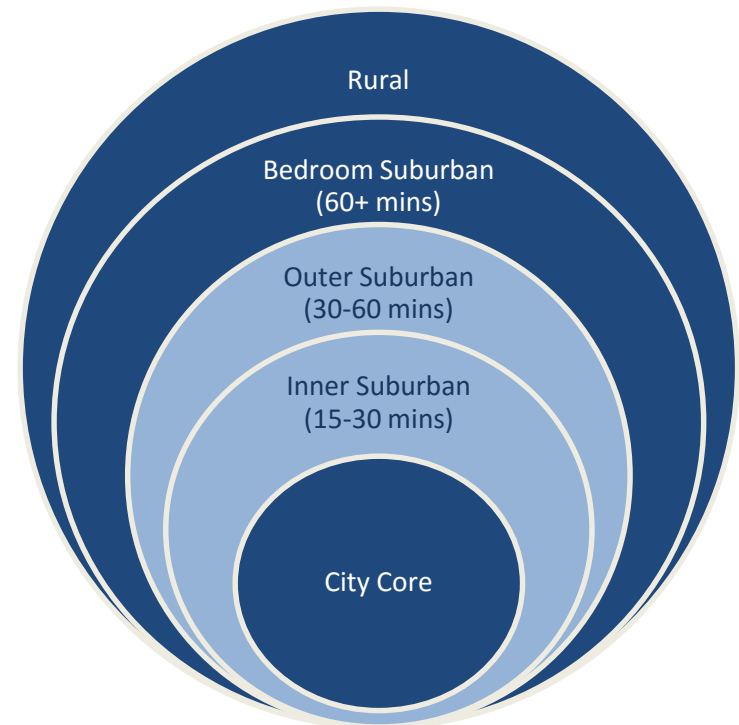
Most want within 15-60 minutes away from the city core. More than 70% want a popular location. Over 25% wants a remote location. Consider both an opportunity for segmentation.

Active or Remote Location

	National Average	San Diego, CA
Popular active location	67%	72%
Remote private location	33%	28%

Locational preference

	National Average	San Diego, CA
City core	8%	10%
Inner suburban	40%	46%
Outer suburban	37%	35%
Bedroom suburban community	7%	5%
Rural location	7%	4%

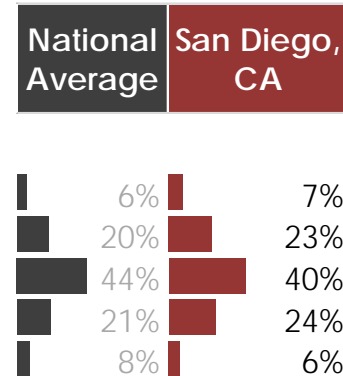


Note: A popular and active location is a place where there is retail, entertainment, and activities to enjoy.

Suburban masterplan is favored by 40%. Only 23% would pay another 5% for traditional neighborhood design.

Ideal Lifestyle

Urban
Traditional Neighborhood Development
Suburban Master Plan
Simple Suburban
Rural location



Note: Traditional neighborhood development includes townhomes or smaller detached homes with walkability to parks and retail.

In Consumer Insights Community Survey, we asked about 60 different amenities. These are the top 15 amenities you can program for San Diego as compared to the nation:

Top 15 Amenities

National Average

1. Grocery store
2. Restaurants
3. Fitness center
4. Walking trails
5. Village square
6. Shopping
7. Recreational center
8. Wi-Fi
9. Community high-speed internet
10. Community-wide events
11. Shaded areas
12. Organized on-site programming
13. Community intranet
14. Yoga/Pilates studio
15. Hiking trails

San Diego

1. Grocery store
2. Restaurants
3. Walking trails
4. Fitness center
5. Village square
6. Shopping
7. Recreational center
8. Wi-Fi
9. Shaded areas
10. Community-wide events
11. Community high-speed internet
12. On-site programming
13. Hiking trails
14. Yoga/Pilates studio
15. Live music in the park

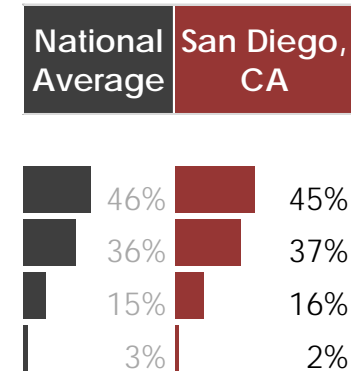
Note: We documented the top community amenities by specialty from Consumer Insights 2014.

Retirement Trends

Your mature consumer enjoys working, however, 45% want to retire.

Attitudes on retirement

- I will retire. Retirement is a sign of achievement.
- I will work part time at some point. I enjoy working.
- I will work full time as long as I can. I enjoy working.
- I will always work. I will need to financially.



66% of mature San Diego new home shoppers prefer a multigenerational neighborhood. However, the 34% that want a childless community can add segmentation and absorption to your community.

Neighborhood Preference

