2018 Southwest Residential Development Marketing Report Consumer Perceptions & Attitudes



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Introduction

It's a great time to build homes. The economy is on an uptick and so is consumer confidence that the housing market will continue to improve. As unemployment drops, wages rise and taxes drop, homeowners are considering upgrading to a new build. And today's first-time home buyers, who are entering the market later than in generations past, are demanding more than ever before.

LAVIDGE, representing homebuilders and master-planned communities since 1982, commissioned WestGroup Research in Phoenix to conduct a study to benchmark the most effective ways to reach new home buyers in an ever-changing market. An in-depth analysis of the results revealed an evolving landscape in which personalized strategies and tactics for marketing new homes and housing communities are increasingly important. With advances in technology, an added emphasis on being environmentally friendly and societal changes in how we work and play, for example, the results of our research shed light on many valuable insights.

In line with the general mood of several public and private housing sector forecasts, 86% of the consumers surveyed said they were either somewhat confident (56.5%), or very confident (29.5%), that the housing market will continue to improve.

of consumers surveyed said they were either somewhat confident or very confident that the housing market will continue to improve.

The Joint Center for Housing Studies of Harvard University (JCHS) and the Demand Institute tabulated 2015 consumer housing data released in late 2017. The data showed the vast majority of households, including the young, either own homes or expect to own one in the future. This is despite the most common reason younger adults are not buying homes sooner—many have massive student loan debt, greater than any generation in the past. Even so, the JCHS found that of those who do plan to purchase a home for their next move:

- 30% are under 30
- 15% are 30-39
- 10% are 40-49
- 8% are 50-50
- 4% are 60-69
- 1% are 70+

Respondents to the LAVIDGE survey with annual incomes of more than \$75,000 had the highest confidence, with 38.8% saying they were very confident the housing market would continue to improve.

That doesn't mean those in the higher-income categories are alone in the market for a new home. But it does point to ever-increasing high expectations for upgrades, such as air conditioning or three or more bathrooms, as the number of homes completed per year creeps back up.

The size of new homes is making a similar comeback. In 2008,13% of homes featured less than 1,400 square feet. In 2016, only 7% of new homes were that small.

For example, of the 738,000 <u>single-family homes completed</u> in 2016:

- 71,000 had two bedrooms or less and 336,000 had four bedrooms or more.
- 25,000 had one and one-half bathrooms or less and 273,000 homes had three or more bathrooms.
- 178,000 had stucco as the primary exterior wall material.
- 200,000 had a full or partial basement.

In 2008, 13% of homes featured less than 1,400 square feet. In 2016, only 7% of new homes were that small.

Square Feet of Floor Area in New Single-Family Houses Completed¹

Number of houses (in thousands) by square feet						Percent distribution								
Year	Total	Under 1,400	1,400 to 1,799	1,800 to 2,399	2,400 to 2,999	3,000 to 3,999	4,000 or more	Total	Under 1,400	1,400 to 1,799	1,800 to 2,399	2,400 to 2,999	3,000 to 3,999	4,000 or more
1999	1,270	197	276	370	211	157	59	100	15	22	29	17	12	5
2000	1,242	178	t268	363	208	158	66	100	14	22	29	17	13	5
2001	1,256	167	261	359	222	172	75	100	13	21	29	18	14	6
2002	1,325	172	283	375	240	180	76	100	13	21	28	18	14	6
2003	1,386	179	279	401	251	199	77	100	13	20	29	18	14	6
2004	1,532	186	311	433	291	219	92	100	12	20	28	19	14	6
2005	1,636	165	317	467	306	262	119	100	10	19	29	19	16	7
2006	1,654	164	312	452	326	263	137	100	10	19	27	20	16	8
2007	1,218	120	220	335	227	202	115	100	10	18	27	19	17	9
2008	819	104	146	219	138	127	84	100	13	18	27	17	16	10
2009	520	66	106	139	89	72	48	100	13	20	27	17	14	9
2010	496	66	96	135	87	75	37	100	13	19	27	18	15	7
2011	447	57	84	111	79	76	40	100	13	19	25	18	17	9
2012	483	53	83	126	93	88	40	100	11	17	26	19	18	8
2013	569	46	89	154	115	110	56	100	8	16	27	20	19	10
2014	620	48	87	162	131	127	66	100	8	14	26	21	20	11
2015	648	49	87	171	138	132	72	100	8	13	26	21	20	11
2016	738	49	114	199	154	143	79	100	7	15	27	21	19	11
RSE/SE	1	10	9	6	4	8	8	NA	1	1	1	1	2	1

Footnotes:

RSE/SE - Relative Standard Error (percent), Standard Error (percentage points)

NA - Not available

¹Includes houses built for rent (not shown separately)

https://www.census.gov/construction/chars/completed.html



To say the housing market has been interesting since the market bubble burst in 2008 would be, well, a massive understatement. Residential real estate saw increases in many areas in the early part of the decade. Middecade declines eventually gave way to moderate increases in the latter part of the 10-year period.

In 2018, housing sales remain on the rise. The National Association of Realtors® (NAR) has forecast an increase of 3.7% year over year for 2018 with 5.67 million homes sold. That's a jump from the .04% year-over-year increase from 2016 to 2017 for an estimated 5.47 million homes sold.

Due to a shortage of available homes, both existing inventory and planned new construction, the NAR further projects prices will rise 5.5% in 2018. An anticipated 950,000 new housing starts will represent a 9.4% jump year over year, but it's still shy of the 50-year annual average of 1.2 million housing starts.

Whether home builders stay the course to keep prices rising or increase inventory to meet demand, you're going to need effective ways to market your message. We've selected the top six highlights from our research focused on just that. We trust that you, as a savvy home builder, can't wait to keep reading. Let's get started!

Tim Trull, Managing Director, Strategy Stephen Heitz, Chief Innovation Officer

Selected Highlights

WHEN CHOOSING A HOME BUILDER, CONSUMERS 'TRUST THY NEIGHBOR.'

People have obtained important or interesting information by word of mouth forever. And, when shopping for a new home, it's still the most preferred method of receiving communication.



Millennials conduct much of their personal and professional lives online, so it's no surprise their home-buying messaging preferences are also digital. Our Southwest Home Builder Marketing research study revealed social media as their most-preferred mode of communication (74.6%) followed closely by Internet ads (64.0%). Only then does personal referral (word of mouth) come into play (57.9%)—a significant deviation from the 68.5% preference in overall study results.

'AFFORDABILITY' MAKES CONSUMERS FEEL RIGHT AT HOME.

Affordable is a relative term. It's also the word 72.8% of potential buyers most want to hear when considering the purchase of a new home. At the conclusion of 2017, the median price of an existing home at \$248,000 was significantly less than the median cost of a new home at \$317,155. For the new build to be seen as affordable, it has to hold its own against existing inventory.







AGE INFLUENCES PREFERRED WORDS TO DESCRIBE HOME BUILDERS.

We get it. Residential builders in areas with low profit margins must complete projects expeditiously to stay on budget. Just don't call attention to speed in your marketing materials, even if you build prefabricated homes. That's because the words **manufactured** and **quick** were least preferred by all respondents, both ranked at 3.8%. And the older the respondent, the less each word was preferred, at 2.4% and 2.9% respectively among those 55+.

LIFESTYLE, OR QUALITY AND ENERGY EFFICIENCY? IT DEPENDS ON YOUR AGE.

Factoring in the age of your target audience matters more than you might think. Our research uncovered that 69.3% of the youngest survey respondents, those under 35 years of age, most preferred the phrase **We build homes to fit your lifestyle.** Their second-most preferred phrase captured 44.7% with **We're located in the best communities.**

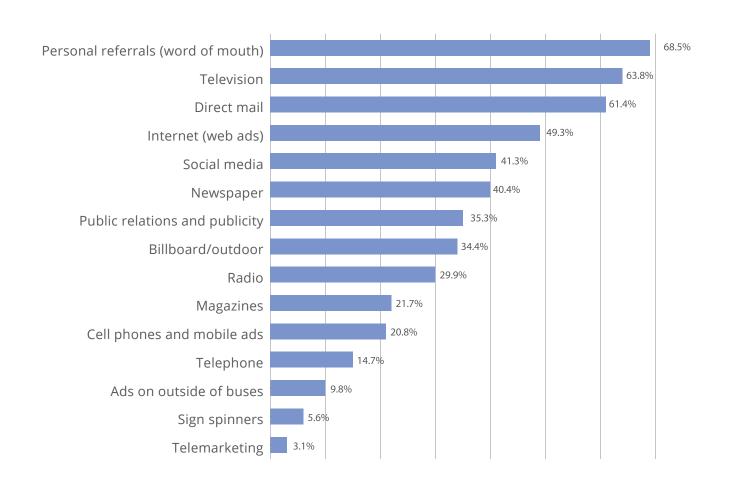


Don't call attention to speed in your marketing materials—the words *manufactured* and *quick* were least preferred by all respondents,

What We Found

WHEN CHOOSING A HOME BUILDER, CONSUMERS 'TRUST THY NEIGHBOR'

PREFERRED WAYS HOME BUILDERS MIGHT COMMUNICATE WITH POTENTIAL BUYERS



People have obtained important or interesting information by word of mouth forever. And, when shopping for a new home, it's still the most preferred method of receiving communication.

In fact, 68.5% of respondents who participated in the LAVIDGE-commissioned research study ranked **personal references** (word of mouth) No. 1.

"Nothing is better than a referral from friends, whether it's for a vehicle, service provider or home builder," one participant explained.

Another respondent put it this way: "It really is important to me that I get as much information as possible. After all, this is a lifetime commitment. It also indicates to me it would come from someone I know personally, and whose opinion I value."

Respondents who favored word of mouth said:

"Relationships make me feel more comfortable that it won't be a fraud."

"I can ask all the questions I want."

"If friends and family are happy with the outcome, odds are, you will be too."

"When a company is referred by a friend or co-worker, I am more likely to feel confident in the work that is going to be done."

Word of mouth is not limited to face-to-face conversations, or even those which take place naturally. Loyalty programs which offer referral incentives and testimonials can also be considered word of mouth.

68.5% of respondents ranked personal references as the #1 way to receive communication.

A great way to spark discussion is to reach out to your customers in the midst of "magic moments," when they are most likely to feel a strong brand connection. Invite new homeowners to fill out a customer satisfaction survey shortly after they receive their keys. Partner with an organization to handle the process with everything from post cards to a phone app or email survey, and you'll likely receive many encouraging comments you can use in your marketing efforts.

One could also create opportunities for prospects to meet happy homeowners. In neighborhoods where homes are partially built, consider inviting residents to weekend barbecues or other socials near the sales office on days when heavy foot traffic might be expected. Your community will organically become more neighborly and your home buyers will have access to hear from those who have already settled in.

Traditional media came in second and third with **television** preferred by 63.8% of the study sample and **direct mail** earning thumbs up from 61.4% of respondents.









Respondents who favored television said:

"You can actually show the homes and the communities in a way that you can't on the radio or in a magazine."

"I don't watch too much TV, mostly news, but advertising and visuals stick with me—especially [because] it is usually after dinner and my mood is more relaxed and receptive."

"Because I'm relaxing and have time to process the ad."

"I watch a lot of television and see most of my advertisements there."

Respondents who favored direct mail said:

"If I get it in the mail I will at least look at it."

"I can look at it on my own time without any pressure."

"It would draw my attention more than an Internet ad, and be easier to review than an audio ad."

"Because it will include pictures and prices and floor plans. That is how I bought my last house. I got a brochure from [a home builder] and went online after seeing it."

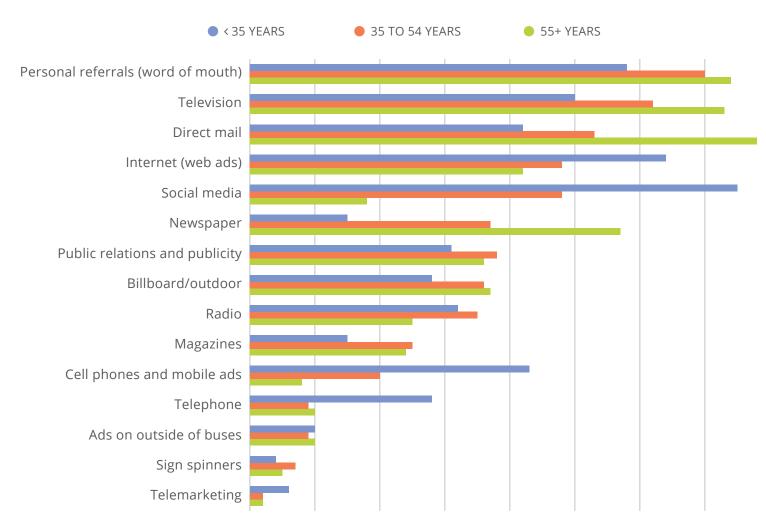
In some circles, social media is considered a form of "word of mouth." And it's definitely a method of providing a personal reference—be it in person or via a social media platform.

Which brings us back to the beginning: new home buyers want to learn about home builders from someone they know and trust. No matter how many traditional or digital touchpoints customers encounter along their journey, it's imperative at least one contact comes from a genuine brand advocate.

Savvy new home builders will keep this in mind—and treat each existing client accordingly.

MILLENNIALS ARE MOVED BY HOME BUILDER MESSAGES ONLINE

PREFERRED WAYS HOME BUILDERS MIGHT COMMUNICATE WITH POTENTIAL BUYERS by age



Millennials conduct much of their personal and professional lives online, so it's no surprise their homebuying messaging preferences are also digital. Our Southwest Residential Development Marketing Report revealed **social media** as their most-preferred mode of communication (74.6%) followed closely by **Internet ads** (64.0%). Only then does **personal referral** (word of mouth) come into play (57.9%)—a significant deviation from the 68.5% preference in overall study results.

Respondents who favored social media said:

"Everyone nowadays is always on their smartphone. Snapchat, Twitter, Facebook, etc. The new generation is glued to the mobile computers we have as phones."

"Most people spend time checking social media on a daily basis."

"[It's] real people's referrals."

Respondents who favored the Internet said:

"[There are] so many houses being advertised every day."

"Because it is less intrusive. You can view the house. Pictures of the rooms and yard are more inviting."

"I spend a lot of on the Internet and would probably see these the most."

In context, it makes sense. Emarketer.com published relevant data revealing affluent millennials who earn \$100,000 or more per year log an average of 53 hours on the Internet each week. In comparison, equally affluent Gen Xers (35-51) spend 45.4 hours online, and baby boomers (52-70) use the Internet for 37.2 hours each week. In contrast, affluent seniors (71+) were online only about 28 hours per week.

WEEKLY TIME SPENT ONLINE BY US AFFLUENT INTERNET USERS by Generation, July 2016, in hours



Data is from the September 2016 Ipsos "Fall 2016 Ipsos Affluent Survey USA." 24,424 US internet users ages 18+ with household incomes of \$100,000+ were surveyed online during June 20, 2015-July 22, 2016.

BEYOND MILLENNIALS.

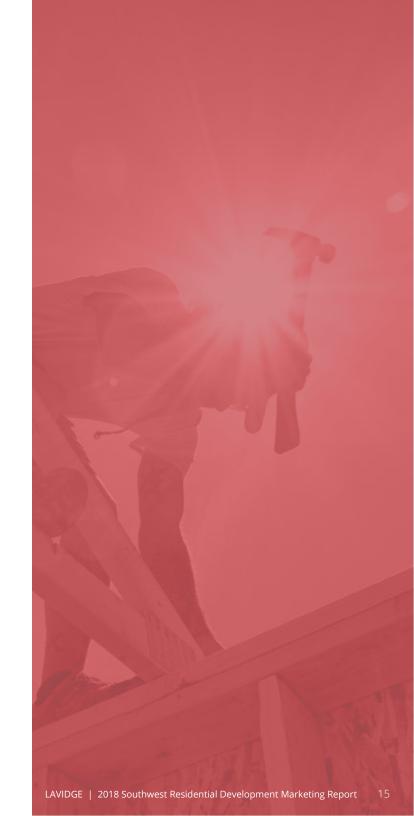
Not all home builders cater to the young and upwardly mobile. With a current median age of 37.7 in the United States, chances are home builders are eager to capture the 35-54 demographic—typically in their family-rearing years and possibly ready to settle down or upgrade from a starter home to one suitable for their growing household.

To reach this middle cohort, a traditional prescription of **personal referrals** (word of mouth), television and direct mail is the way to go. Referrals topped out with 69.7% of research study respondents who chose the tactic as their most preferred way to learn about new homes. **Television** advertising followed closely behind at 62.3%. **Direct mail** came in third, ranking nearly 10 percentage points lower at 53.3%.

Candidates for active adult communities designed for seniors see things differently. Within the 55+ group, 78.2% favored **direct mail** pieces. **Personal referrals** (word of mouth) and **television** ranked neck and neck among research study respondents at 73.8% and 73.3% respectively.

Newspapers also deserve a prominent place in media outreach for home buyers aged 55+, with 68.8% of respondents in that demographic naming the traditional media tactic as their favorite.

Pew Research Center's 2016 State of the News Media report backs up the viability of newspaper advertising. While circulations are shrinking and ad revenue (tied to ad spending) was down 10% in 2016 from 2015, which was slightly more than the 8% decline from revenue in 2014, newspaper ads still play a significant role.



Publicly traded newspaper companies nationwide drew an estimated \$18 million in ad revenue in 2016.

Respondents who favored newspaper ads said:

"It is something I read every day and actually look at the ads."

"The Home section is something we read every weekend."

"I read one every morning."

Meanwhile, online marketing, including paid search and social ads as well as managing branded accounts on social media channels, is gaining momentum among home builders. It's all part of a trend for the industry to dive deeper into the digital world. The LAVIDGE-commissioned research study revealed 49.3%—nearly half of all respondents—prefer online ads, the majority of which appear on Google and Facebook. This is in line with digital advertising trends in general.

"Google and Facebook have risen to the top for several reasons, including massive scale, huge amounts of audience data and easy-to-use automated systems for buying ads," said eMarketer analyst Nicole Perrin in her December 2017 report, "Beyond the Duopoly: Exploring Digital Advertising Outside of Google and Facebook."

US DIGITAL DISPLAY AD SPENDING 2016-2021 billions, % change and % of total digital ad spending



- Digital display ad spending
- % change% of total digital ad spending

Note: includes advertising that appears on desktop and laptop computers as well as mobile phones, tablets and other internet-connected devices; includes ads such as Facebook's News Feed Ads and Twitter's Promoted Tweets.

Respondents who favored Internet ads said:

"You can customize what you are looking for and therefore not have to waste time on looking up things that are not important. On the Internet, you can weed out what you are not looking for and sort by what's important."

"It is how we found our current home."

"I am constantly on my computer and I can easily compare to other prices."

"I use the Internet much more than any other media available."

An additional 41.3% of research study respondents stated a preference for social media as their source of marketing communication from new home builders.

Respondents who favored social media said:

"Everyone is doing it! It's everywhere and documents everything. People use it several times a day because it's at their fingertips."

"I use it a lot and I am more trusting of people who reach out on there."

"I am on social media almost constantly; when I'm bored, uncomfortable, nervous, waiting, sick, etc. I click on almost every ad that looks interesting."

"I'm more open to many things when I have a moment alone to think through things better without feeling on the spot."





Social media is an effective way to build online brand loyalty. On Twitter alone, D.R. Horton's @DRHorton has built a following of 13.3k, KB Home's @kbhome has attracted 16.8k followers, Pulte Group's @PulteHomes has gained 29.5k followers and Shea Homes' @Shea_Homes has a base of 3,350 followers with just as many more each for four additional Shea-branded handles localized for the Southwest. These include Arizona, Colorado, Northern California and Southern California. Lennar Homes' @Lennar with 280.4k followers boasts more visibility than the previously named brands—combined.

It's becoming an increasingly competitive space. Searches for #newhome, #homebuilder, #customhomebuilder and other popular hashtags yield wide results. Residential builders are posting everything from tips on how to secure a mortgage to caring for one's new home. Most also post information about their new communities and links to special sales events. Many feature pets or children. Others focus on amenities for active adults. Nearly all use images, often including practical information

such as pricing and floor plans. Others feature warm, fuzzy, feel-good videos.

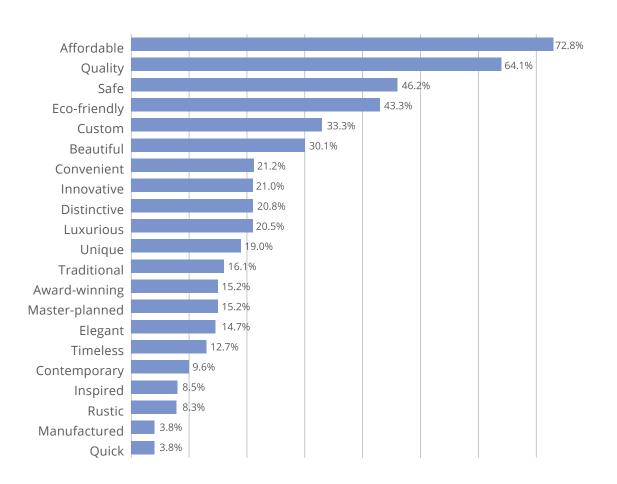
Facebook and Instagram are also jampacked with home builders, along with Pinterest and Houzz. What's new is the growing awareness among marketers to watch the activity of their social media accounts as much as the followers watch theirs. Home builders are now watching audience trends, behaviors, interests and demographics of their social followers to help fine-tune their messaging.

Social listening is not new, but for an industry newer to digital marketing in general, it's just beginning to gain recognition as a way to generate leads—as it offers more highly targeted access to individuals based on demographics.

So, age really does matter. From millennials to those aged 55+, how one delivers marketing can make or break efforts to reach an intended audience. One would be wise to keep this in mind—and customize media strategies and messaging accordingly.

AFFORDABILITY MAKES CONSUMERS FEEL RIGHT AT HOME

PREFERRED WORDS HOME BUILDERS MIGHT USE TO COMMUNICATE WITH POTENTIAL BUYERS



Affordable is a relative term. It's also the word 72.8% of potential buyers most want to hear when considering the purchase of a new home. At the conclusion of 2017, the median price of an existing home at \$248,000 was significantly less than the median cost of a new home at \$317,155. For the new build to be seen as affordable, it has to hold its own against existing inventory.

Affordability is also tied to location, location, location and local income levels. What's affordable in Northern California, for example, would be out of reach for medianincome home buyers in Greene, Tennessee.

In Greene, housing represented 14.5% of a monthly income of \$3,055. Yet promoting affordability works equally well when marketing location-appropriate price points in either place. With wages rising at a higher rate in Greene than home prices, coupled with low demand, 2016 U.S. Housing and Urban Development (HUD) data show it had the most affordable housing in the country.

Affordability matters in more affluent areas, as well.

For example, a business story published in late 2017 in the *Orange County Register* quotes a member of New Homes Co. leadership on the importance of attainability—a word closely related to affordability—even though they aren't perfect synonyms. In California, the U.S. Census-sponsored 2016 American Community Survey ranks the median home value at \$409,300, along with a higher median income of \$63,783.

In this climate, a housing development offering new builds at \$350,000 is considered extremely affordable—and therefore attainable. Such was the case when New Homes Co. announced 10 townhomes in Orange County's Rancho Mission Viejo. Each one-bedroom unit featured 707 square feet and a one-car garage. At the time of the news story, the homes were set for completion in fall 2017.

A fast turnaround on these types of low-profit-margin projects is what makes them feasible for home builders interested in providing true affordability for potential buyers, the business story states.

Affordability matters in more affluent areas, as well.

Respondents who favored the word **affordable** said:

"I feel it's important not to live outside your means, especially on material possessions."

"If you can't pay for [a new home], the other stuff doesn't matter."

"I have a budget to stay within. I want the best value for the money."

"I think everyone wants to hear the word 'affordable' when making a huge purchase such as a house. Buying a house is a big decision and puts a lot of pressure on people. When someone says a house is 'affordable,' that takes some of the pressure off and makes the decision of buying a house a little easier."

Respondents with age- or career-related reasons said:

"I am close to retirement so affordability is important to me."

"I am a senior citizen, so my income is somewhat limited and, as I continue to age, my ability to make house payments might go down."

"I'm a teacher; very limited budget."

"I am a young adult so I need something that I can afford as I begin my career."



BEYOND AFFORDABILITY.

As overwhelmingly high as respondents ranked **affordability**, a few more words also garnered significant acclaim. In most cases, preferences don't exist in isolation. Affordability is just the beginning.

One fan of affordability connected it to a desire for quality saying, "I love a good deal. I love getting quality along with affordability. I would buy a nice house that affordable."

In fact, **quality**, at 64.1%, was the second-most preferred descriptor of new homes among research study respondents. This should be good news for at least one new home builder. Centex, a member of the Pulte Group family, pinned a report to Pinterest branding itself as a provider of quality craftsmanship and construction offering the Centex Build Quality Experience. Many other residential

builders also reference quality in their materials, to varying degrees and at various levels of affordability.

Repondents who favored the word **quality** said:

"The home should show evidence of quality building materials and workmanship."

"When you have worked very hard to be able to afford a house, you don't want to have the roof leaking, non-functioning electric/plumbing, ill-fitting doors/windows or issues with the floor covering."

"It's the most important thing."

"A quality home would [be] several things—safe, beautiful [and] long-lasting."

Safe was the most important marketing word for 46.2% of survey respondents when considering the purchase of a new home. "Many people while buying a home want to know their families are safe, so reassuring their safety [works] wonders," one survey respondent said. Exactly what that means, however, varied widely. Clarifying comments ran the gamut from who should be safe to how or where that safety would be manifest within their own four walls or beyond their property line.

Respondents who favored the word **safe** said:

"A safe neighborhood is most important to me."
(This sentiment was repeated with various slants toward the need for safety when raising large families, for single women who live alone or anyone raising children.)

"I want to ... feel safe walking around at any time of day."

"I prefer knowing the structure has stability."

"I want to live in a house that's going to be safe during storms."

In addition to being prepared for weather, Mother Nature got the nod from 43.3% of survey respondents who said being **ecofriendly** was their top priority when purchasing a new home.



Residential builders can demonstrate to potential buyers their attention to environmental concerns by following national guidelines for certification such as:

LEED – Leadership in Energy and Environmental Design offers varying levels of assurance that eco-friendly standards have been used in building projects.

ENERGY STAR® – a joint government program between the Department of Energy and the Environmental Protection Agency to certify appliances and building materials used will contribute to a 20% to 30% reduction in energy consumption over traditional homes.

National Association of Home Builders (NAHB) - A third party inspects properties for adherence to the association's National Green Building Standard (NGBS). The NGBS can be applied to single-family homes, townhomes and duplexes.

Respondents who favored the word **eco-friendly** said:

"It is important for what I use in my daily life to be as environmentally friendly as possible."

"When I buy a house, I will be paying for it through my energy bills for a long time. I want to pay less and not more."

"We need to start producing environments that are safe not only for people but our planet. Use local supplies and fit the homes/businesses to the local temperate zones. Make use of what is naturally occurring in the area."

"I like to know that the materials used in the home are sourced responsibly, the home runs effectively. and [it's] quality."







What was missing in the comments but showed up prominently in secondary research is the forward-looking forms of ecology. Trends identified for 2018 and beyond include building homes that are solar ready with a solar conduit and meter or adding a car charger in the garage for some future electric car. Either adds a nominal cost when done upfront, saving both time and money as solar energy and electric cars become the new norm in American homes.

It doesn't end there. Home automation can contribute to curbed energy costs by running heating and cooling as efficiently as possible. The systems learn to recognize occupant patterns and can adjust temperature control accordingly. Some builders are including them in their packages—with upgrades complete with multi-point access WiFi technology throughout the home, video doorbells outside and integrated alarm systems (harkening back to the desire for safety).

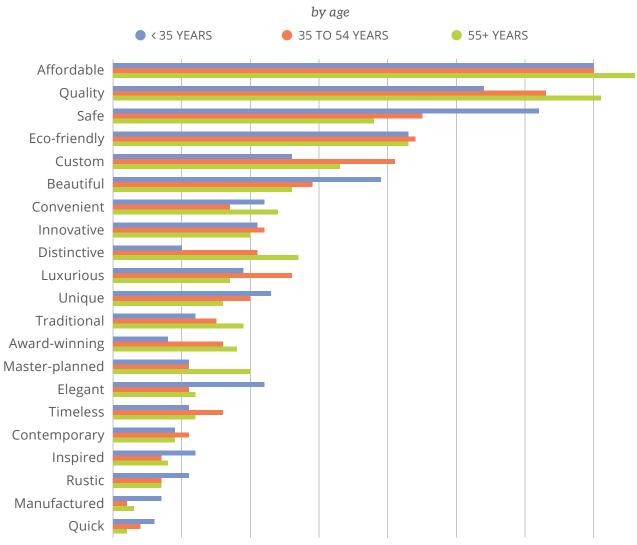
Letting buyers know you use air-tight sealed construction and ecofriendly paint can add the final touches—making your home more valuable than an ordinary "not-so-smart" product produced by the competition.

So, words really do matter. From **affordable** to **quality**, and from **safe** to **eco-friendly**, home buyers not only know what they want, but they are clear on the vocabulary they prefer. Keep this in mind—and develop marketing materials fine-tuned for what potential buyers want to hear.

From affordable to quality, and from safe to eco-friendly, home buyers not only know what they want, but they are clear on the vocabulary they prefer.

AGE INFLUENCES PREFERRED WORDS TO DESCRIBE HOME BUILDERS





We get it. Residential builders in areas with low profit margins must complete projects expeditiously to stay on budget. Just don't call attention to speed in your marketing materials, even if you build prefabricated homes. That's because the words **manufactured** and **quick** were least preferred by all respondents, both ranked at 3.8%. And the older the respondent, the less each word was preferred, at 2.4% and 2.9% respectively among those 55+.

Meanwhile, in addition to cross-generational motivational words such as **affordable** and **safe**, younger respondents (<35 years of age) tend to be more individualistic and prefer words such as **unique** (22.8%) and **inspired** (12.3%), more so than older respondents (55+), who ranked **unique** at 16% and **inspired** at 7.8%.

A fan of the word **inspired** said, "It leaves me feeling that my idea is important," while a fan of the word **unique** chose the word because it, "fits my personality." One respondent summarized it best as follows: "We would all like to love our homes. We like slightly different things in life; our home would be no exception. Unique usually takes a little more thought."

Other research survey respondents' comments referred to the desire to avoid a "cookie-cutter" house like every other house on the block and a desire to stand out as different from their neighbors.

It's unlikely most survey respondents were referring to extremes such as a glass house in West Virginia built with refurbished windows and nestled between giant trees in a wooded area. Or shipping container homes built from metal boxes which have been retired from traveling the railroad tracks across America. Or even the three-story Victorian style Neverwas House in Vallejo, California, which rests on wheels—and sometimes rolls on them to accommodate party requests to rent the unique abode. Rather, younger buyers seek unique in the form of custom features and variable floor plans designed to complement their personality and lifestyle.







BEYOND AGE: INCOME MATTERS.

Lower income respondents (<\$35k annual household income) are more budget-conscious and ranked their preferred word as **affordable** (75.7%), while high income respondents (\$75k+ annual household income are more value-conscious and prefer **quality** (68.1%).

In comparison, the words **affordable** and **quality** ranked first and second for all income groups combined, respectively at 72.8% and 62.1%. The gap between the two income groups registered at 2.9 percentage points for **affordability** and 6 percentage points for **quality**.

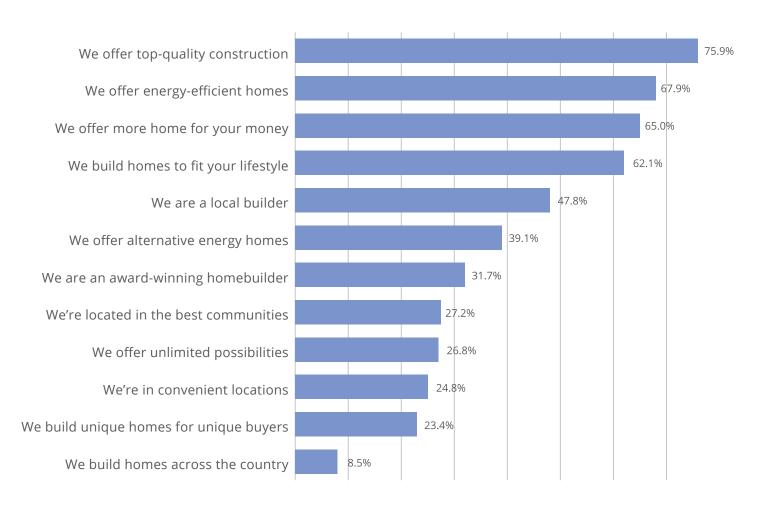
While affordability is important to all home buyers, those earning less than \$35,000 per year are willing to sacrifice quality when that is what it takes to get into a home. Those who earn \$75,000 per year are more likely to demand quality, and will sacrifice some level of affordability to do so.

So, it's clear that the age and income levels of potential home buyers influence their attitudes and perceptions. Take this into account when planning developments for targeted communities, making sure to highlight what's most important to the intended buyer.



WHO DOESN'T LIKE 'TOP-QUALITY CONSTRUCTION'?

PREFERRED PHRASES HOME BUILDERS MIGHT USE TO COMMUNICATE WITH POTENTIAL BUYERS



Research study responses proved to be consistent, even when provided with alternatives for preferred verbiage in new home marketing materials. The rankings, however, swapped places for concepts related to the two top-ranked words, **affordable** and **quality**, when used in complete phrases.

Respondents chose **We offer top-quality construction** (75.9%) as the phrase they would prefer home builders use in describing their products, winning out over financial considerations. **We offer more home for your money** ranked third at 65%, among 12 available options.

Here's why one study participant ranked "top-quality construction" first:

"I think one of the most important considerations in buying or building a home is that the builder uses the best products and construction techniques. If your builder offers top-quality construction you can rest assured that your house will be built to the most exacting standards and that it will be trouble free for years to come."

Another said:

"It means the house will be more maintenance free. I don't want to spend a lot of money fixing up/repairing the house instead of using it to buy things I need or pay bills." A research study fan of the third-ranked phrase summed up why succinctly:

"Value is most important to me."

"Spending money wisely is another way of saving money or getting the most you can out of your hard-earned dollar," another study respondent said of their preference for the phrase **We offer more home for your money.**

"Homes are priced per square foot, so that statement would tell me that their price per square foot is lower than others," another respondent stated. "I want to get the best deal and if I can get more options or features for the same price or cheaper, then I would feel good that I got more home for my money."

Beyond feeling good, at least one study participant chose the phrase for practical reasons, stating,

"I'm getting more without having to spend more. I have to be able to afford the home I'm buying, and with as big as my family is, every cent counts."

Other phrases respondents prefer most include **We offer** energy-efficient homes at 67.9%, and **We build homes to** fit your lifestyle at 62.1%.

Respondents who favored the term **We offer energy-efficient homes** said:

"Energy efficient means [it will] save me money."

"Energy prices are growing so much, and we are constantly looking for ways to cut our energy costs. Knowing that builders already have this in mind before you even start to build is a great draw."

"People in society are trying to become more environmentally friendly, and they want to conserve as much energy as possible to then save money."

"It's becoming more and more expensive to heat and cool my home."

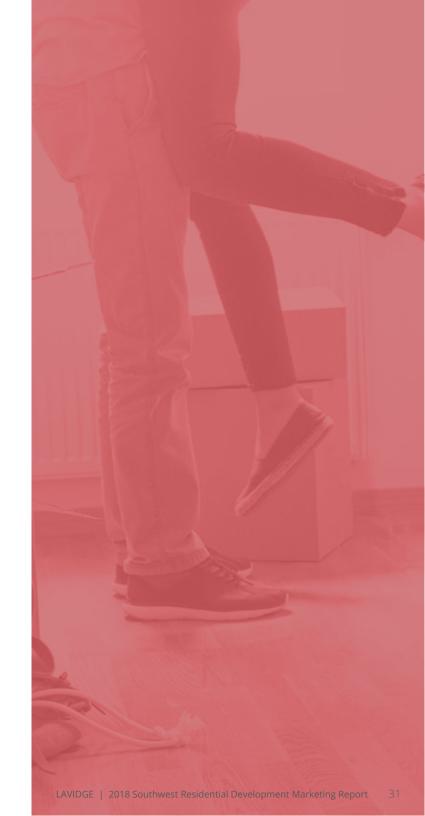
Respondents who favored the term **We build homes to fit your lifestyle** said:

"I have a very active lifestyle with very active dogs, so I need something that can accommodate them."

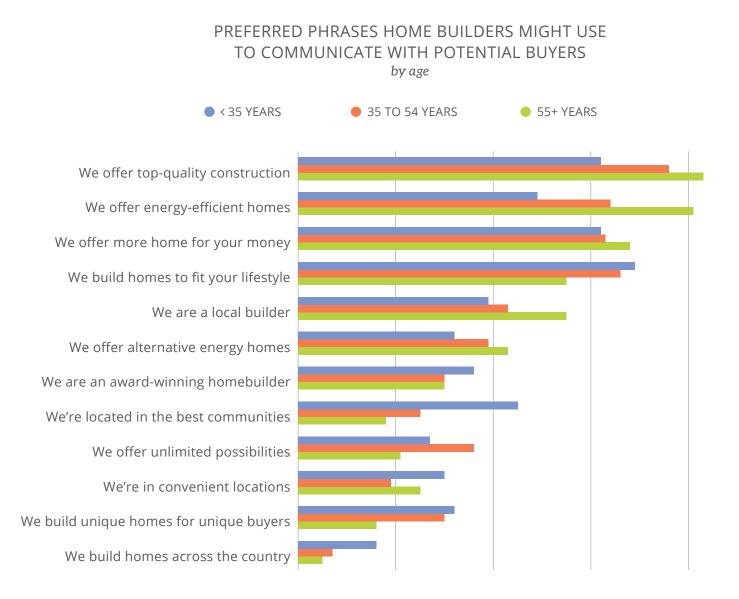
"It gives you a sense that you have a custom home that will fit into any life style that you choose. For example, if you are into fitness, perhaps a special place would be built to suit those needs."

"Everyone wants a home that fits their style for convenience."

Whatever their prospects fancy, cater to specific needs within specific audiences to help them choose the most appropriate home in a community designed just for them. All it takes is a little insight, a lot of heart and a heap of professional preparation.



QUALITY AND ENERGY EFFICIENCY OR LIFESTYLE? IT DEPENDS ON YOUR AGE.



Factoring in the age of your target audience matters more than you might think.

Our research uncovered that 69.3% of the youngest survey respondents, those under 35 years of age, most preferred the phrase **We build homes to fit your lifestyle.** Their second-most preferred phrase captured 44.7% with **We're located in the best communities.**

It's clear millennials prefer homes designed to fit their lifestyle, including the neighborhoods in which they are located. Offering lifestyle amenities inside the home such as WiFi-friendly floorplans for telecommuters or avid gamers, or backyard pools or basketball hoops for fitness-minded buyers is important, but it shouldn't end at the property line.

If you're building homes for energetic, active adults, consider locating in an area where local gyms and studios can support their athletic needs. Alternatively, if you are building in a relatively new area, consider including a community center or workout room for exclusive use by all those who buy into the neighborhood. It could make the difference between whether a buyer chooses your home—or the one built by a competitor.

Of course, needs vary by location. In some areas, fulfilling the need to fit one's lifestyle could mean having day care nearby along with a good school system for young, growing families.

Our survey respondents aged 35 to 54, as well as those aged 55+, placed the most emphasis on the phrase **We offer top-quality construction** when considering the purchase of a new home. Ranked respectively at 76.2% and 83.0%, it's clear from the data that the more mature the buyer, the greater their focus will be on the quality of the home itself.

If your target is a more mature client, consider this: research study respondents between the ages of 35 and 54 who placed top importance on **quality** aren't necessarily ready to give up lifestyle needs altogether. Ranked at 66.4%, **We build homes to fit your lifestyle** was their second-most preferred phrase.

Those aged 55+ at 83.0% chose **top-quality homes** as their most preferred phrase. This group, however, was the only one to rank **We build energy-efficient homes** among its top-two choices, with an 80.6% preference for the phrase.

One key takeaway is that while many senior-oriented communities heavily market the idea of an active adult lifestyle, at 54.5% it ranked fourth, lower than **We offer more home for your money** at 68%, which captured the ranking of third-most preferred.

Additionally, and we're not sure if it's related to the wanderlust of the young or the preference for familiarity which grows over time, age definitely plays a role when it comes to choosing a national or local home builder.

Our research study revealed that respondents age 55+ prefer the phrase **We are a local builder** at 54.9%, higher than younger respondents under 35 years of age who prefer the same phrase at 39.5%.

Conversely, the same younger respondents prefer the phrase **We build homes across the country** at 15.8% versus the same group of older respondents who prefer the same phrase at 4.9%.



Furthermore, although younger respondents were most likely to choose a national home builder compared to their counterparts, they still preferred local to national by a margin of 27.6 percentage points.

All considerations aside, the housing market for those aged 55+ is on the rise. As of fourth quarter 2014, 79.5% of household members 65 and older were homeowners. By 2033, this age group will, for the first time in the United States, outnumber people younger than 18.

The <u>U.S. Census Bureau has also projected a population of 98.2 million people 65 and older</u> in 2060. People in this age group will comprise nearly a quarter of all U.S. residents. Of this number, 19.7 million will be 85 or older. A sizeable chunk, at 2.6 million, will be at least 96.

It's a great time for home builders to reach this maturing market as they look for housing options better-suited to transitioning into the next phases of life, post-child rearing and post-career, for many. And they won't settle for starter homes. They want something solid, and energy efficient, where they can enjoy their mid to senior years.

Specific preferred marketing tactics and messages aside, consumers of all ages tend to do business with familiar brands.

Research study respondents were most familiar with the five following home builders: **KB Home** (16.5%), **Pulte Grou**p (15.6%), **D.R. Horton** (12.1%), **Shea Homes** (11.2%) and **Lennar** (9.2%).

Bear this in mind when marketing, remembering to spend as much time building your brand as you do building homes. Okay, maybe not as much. But do include branding in your marketing plan. Your sales team, and your future customers, will thank you.



Methodology

The objective of this research was to gather quantitative feedback from a random sample of adult consumers (18+) living in Arizona and other major markets in the Southwest U.S. A total of 448 online surveys were completed, with the following breakdown of completes by market: Phoenix, 181; Salt Lake City, 50; Denver, 48; Albuquerque, 46; Tucson, 45; Las Vegas, 43; San Diego, 35.

Individual participants were provided by a major online survey panel, with the actual survey hosted by WestGroup Research in Phoenix, Arizona. The statistical margin of error for the overall sample is +/- 4.3% at the 95% confidence level, the standard error margin threshold for most public opinion research. Average survey length was approximately 10 minutes to complete.

Error margins for sub-segments of the sample (e.g., different age groups) will vary depending on the size of that sub-segment. Statistically significant findings are noted within the report where applicable.

The Research Study was conducted by WestGroup Research on behalf of LAVIDGE during October 2017. LAVIDGE conducted additional research throughout the compilation of this report, concluding in January 2018.

Respondent Profiles

GENDER		EDUCATION		INCOME	
Male	33%	High school or less	18%	Under \$35,000	24%
Female	67%	Some college or trade school	40%	\$35,000 to \$49,999	18%
		College+	41%	\$50,000 to \$74,999:	22%
AGE		Prefer not to answer	1%	\$75,000+	26%
18-24	12%			Prefer not to answer	10%
25-34	13%				
35-44	14%				
45-54	14%				
55-64	17%				
65+	29%				
Prefer not to answer	1%				

Data

Likelihood to consider a new home purchase in the future

Very likely	32.6%
Somewhat likely	33.0%
Not very likely	34.4%

Level of confidence that the housing market will continue to improve over the next 2-3 years

	Very confident	29.5%
	Somewhat confident	56.5%
	Not very confident	12.7%
	Not at all confident	1.3%

Preferred ways home builders might communicate with potential buyers

Personal referrals (word of mouth)	68.5%
Television	63.8%
Direct mail	61.4%
Internet (web ads)	49.3%
Social media	41.3%
Newspaper	40.4%
Public relations and publicity	35.3%
Billboard/outdoor	34.4%
Radio	29.9%
Magazines	21.7%
Cell phones and mobile ads	20.8%
Telephone	14.7%
Ads on outside of buses	9.8%
Sign spinners	5.6%
Telemarketing	3.1%

Data

Preferred words home builders might use to communicate with potential buyers

Affordable	72.8%
Quality	64.1%
Safe	46.2%
Eco-friendly	43.3%
Custom	33.3%
Beautiful	30.1%
Convenient	21.2%
Innovative	21.0%
Distinctive	20.8%
Luxurious	20.5%
Unique	19.0%
Traditional	16.1%
Award-winning	15.2%
Master-planned	15.2%
Elegant	14.7%
Timeless	12.7%
Contemporary	9.6%
Inspired	8.5%
Rustic	8.3%
Manufactured	3.8%
Quick	3.8%

Preferred phrases home builders might use to communicate with potential buyers

We offer top-quality construction	75.9%
We offer energy-efficient homes	67.9%
We offer more home for your money	65.0%
We build homes to fit your lifestyle	62.1%
We are a local builder	47.8%
We offer alternative energy homes	39.1%
We are an award-winning home builder	31.7%
We're located in the best communities	27.2%
We offer unlimited possibilities	26.8%
We're in convenient locations	24.8%
We build unique homes for unique buyers	23.4%
We build homes across the country	8.5%

Level of familiarity with top home builders

	KB Home	16.5%
	Pulte Group	15.6%
	D.R. Horton	12.1%
	Charaltering	44 20/
	Shea Homes	11.2%
		0.007
	Lennar	9.2%

Questionnaire

This brief survey will ask for your opinions on various issues related to home builder advertising, marketing and related topics. For the purposes of the survey, this will mean any advertising, websites, messages or other information you have received from various home builders.

To complete the survey, simply click on the appropriate answer or provide the requested information where appropriate. For open-ended questions, please provide complete phrases or thoughts, and as much detail as needed to express your opinion.

Thanks in advance for your input!

1.	How likely are you to consider a new home
	purchase in the future?

- Very likely
- Somewhat likely
- Not very likely
- Not at all likely
- 2. What is your level of confidence that the housing market in your community will continue to improve over the next 2-3 years?
 - Very confident
 - Somewhat confident
 - Not very confident
 - Not at all confident
- 3. Listed below are various media or ways that home builders might communicate with you. Please indicate which of these you feel would be most effective in communicating with you by clicking and dragging into the boxes provided. Specifically, click and drag your 'Top 5' into the box labeled 'Top 5', and your 'Bottom 5' into the 'Bottom 5' box. (Obviously, the 'Top 5' would be the most effective, and the 'Bottom 5' the least effective in your opinion.)

- · Colleagues and friends
- Television
- Radio
- Newspaper
- Telephone
- · Billboard/outdoor
- · Ads on outside of buses
- Direct mail
- Magazines
- Internet (web ads)
- Social media
- Cell phones and mobile ads
- Public relations and publicity
- Telemarketing
- Personal referrals (word of mouth)
- Sign spinners
- 4. Listed below are the Top 5 methods you selected. Please indicate your preferences by dragging your favorite to the top spot, your next favorite below it, and so on until all 5 are in the order of your preference
- 5. Why do you feel would be most effective in communicating with you? Please be as specific as possible.

- 6. Listed below are several words that home builders might use to describe their new homes. Once again, please choose which words you feel would be most effective and least effective in communicating the provider's benefits. Simply drag and drop your 'Top 5' and 'Bottom 5' as before.
 - Affordable
- Inspired Luxurious
- Award-winning
- Manufactured Beautiful
- Contemporary
- Master-planned
- Convenient
 - Quality Ouick
- Custom
- Distinctive
- Eco-friendly
- Elegant
- Safe Timeless

Rustic

- Traditional Innovative
 - Unique
- 7. Shown below are your 'Top 5' words; please place them in the order of your preference by dragging your favorite to the top of the list, your secondfavorite below it, and so on.
- 8. Why did you choose _____ as your favorite word? What is it that makes it so effective?

- 9. Next, we'd like to get your opinions on actual phrases or statements that home builders might use in advertising and marketing. Once again, please choose which statements you feel would be most effective and least effective in communicating the provider's benefits. Simply drag and drop your 'Top 5' and 'Bottom 5' as before.
 - We offer more home for your money
 - We are an award-winning home builder
 - · We build homes across the country
 - We are a local builder
 - We build unique homes for unique buyers
 - We build homes to fit your lifestyle
 - We're located in the best communities
 - We offer unlimited possibilities
 - We offer top quality construction
 - · We're in convenient locations
 - We offer energy-efficient homes
 - We offer alternative energy homes
- 10. Shown below are your 'Top 5' statements; please place them in the order of your preference by dragging your favorite to the top of the list, your second-favorite below it, and so on.
- 11. Why did you choose ______ as your favorite statement? What is it that makes it so effective?
- Please indicate your level of familiarity with the following home builders. (SCALE – Very Familiar, Somewhat Familiar, Not Very Familiar Not At All Familiar ROTATE ORDER PRESENTED)
 - D.R. Horton
 - Lennar
 - LGI Homes
 - Pulte Group
 - CalAtlantic Homes
 - Toll Brothers
 - KB Home
 - Taylor Morrison
 - Meritage Homes
 - K Hovnanian
 - TRI Pointe Homes
 - Shea Homes

- David Weekley Homes
- Beazer Homes
- Ashton Woods
- AV Homes
- Mattamy Homes
- Starlight Homes
- · Rendition Homes
- · Balfour Beatty
- · William Lyon Homes

The following questions are for statistical purposes only.

- 13. Please indicate your gender: Male/Female
- 14. What is the zip code where you live?
- 15. Which of the following includes your age?
 - 18 to 24
 - 25 to 34
 - 35 to 44
 - 45 to 54
 - 55 to 64
 - 65 or older
 - Prefer not to answer
- 16. Including yourself, how many adults 18 or older live in your household?
- 17. How many children under the age of 18 live in your household?
- 18. Which of the following includes the highest level of education you have completed?
 - Some high school (did not graduate)
 - High school graduate or GED
 - Some college or trade school
 - · College graduate (bachelor's degree)
 - Post-graduate (master's degree or higher)
 - · Prefer not to answer

- 19. Which of the following best describes your employment status?
 - Work full time
 - · Work part time
 - Retired
 - · Self-employed
 - Student
 - Temporarily unemployed or looking for work
 - Homemaker
 - Other
 - Prefer not to answer
- 20. Which of the following best describes your ethnic background?
 - Caucasian/White
 - African American
 - Asian American
 - Hispanic
 - Pacific Islander
 - Other
- 21. What is your marital status?
 - · Single (never married)
 - · Married or living as married
 - Separated
 - Widowed
 - Divorced
 - Other
 - Prefer not to answer
- 22. Which of the following includes your total household income last year before taxes?
 - Under \$25,000
 - \$25,000 to \$34,999
 - \$35,000 to \$49,999
 - \$50,000 to \$74,999
 - \$75,000 to \$99,999
 - \$100,000 to \$149,999
 - \$150,000 or more
 - · Prefer not to answer

About LAVIDGE

LAVIDGE is a Phoenix-based full-service advertising, public relations and digital marketing agency. Since 1982, LAVIDGE has specialized in discovering and communicating insights that engage, motivate and inspire.



WestGroup Research, headquartered in Phoenix and founded in 1959, is the largest full-service market research firm in the Southwest U.S., serving a domestic and international client base.



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