



Real Estate Renovation Company

ABC CORPORATION

14034 W. Circle Dr.
Sacramento, CA 95831

This corporation admits the narrowness of this niche market but persuasively counters with the enormous payoffs possible and the absence of competition as well as a highly specific target group. The idea of real estate renovation is given a twist to appeal to wealthy consumers, and ample evidence convincingly illustrates the growth of demand. Optimism accompanies each section of the plan and helps convey a confidence necessary to succeed in such a risky endeavor.

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EXECUTIVE SUMMARY

Introduction

ABC Corporation is formed to help meet the growing demand for unique homes in the Sacramento area of northern California.

ABC Corporation is initially focusing on the renovation of one unique estate, which is detailed in this document. Other land development opportunities can be addressed in the future which will provide additional profit with reduced expenses.

ABC Corporation has reached an agreement with a building renovator (a builder and architect that has been recognized by receiving numerous awards for quality renovation projects) to partner in the development of this estate. In addition to the builder, ABC Corporation has secured the services of an experienced real estate professional to assist in the marketing assessment and the marketing of the property.

This building renovation will conform to the guidelines established by the local city government for zoning and setback restrictions.

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ABC Corporation will negotiate the purchase of the property. The oversight of the renovation will be the responsibility of ABC Corporation with the builder's participation in the profit being based on his ability to deliver the project on time and within budget. The marketing of the estate will be done by the real estate professional that will be paid based on a consulting fee.

Due to the size of this renovation project, ABC Corporation has decided to limit the scope of the initial project to this one renovation project only.

The profit from this initial project will help provide the basis for funding other land development projects and be the initial start-up capital necessary for this business.

Due to the high and increasing demand for unique homes in the 2 to 5 million dollar price range, ABC Corporation will be able to renovate this estate at a low cost, thus providing the opportunity to result in substantial profit.

Please note that this project will be completed within 18 months and will sell for over \$4,500,000, generating a profit of \$1,000,000.

Mission Statement

ABC Corporation can be characterized as a developer of unique homes, catering to the discriminating buyer who needs a home that makes a statement. ABC Corporation was developed to provide rapid access to the type of unique home that is expected by the person buying a home in the over 3 million dollar price range.

Before the end of this project, ABC Corporation will be recognized as a highly visible company in the estate renovation market. We will be known for developing a unique quality product. We will have renovated a unique historical home in the most exclusive area in metropolitan Sacramento. Our revenues will exceed \$4.5 million. ABC Corporation will actively seek to promote expansion into other additional renovation opportunities within this market from the profit that we have obtained from this project.

The ABC Corporation's mission is to provide unique, practical, and quality homes on a timely basis, utilizing state-of-the-art renovation techniques and practices. We believe that our first responsibility is to our customers. Our strong financial position will enable us to establish an attractive option in the geographic market we serve. In carrying out our day-to-day business we strive to:

- Follow the philosophy that our customers are entitled to select a unique quality that is available in a reasonable amount of time.
- Treat our partners with fairness and consideration.
- Be considered an asset in our community.

Through long-term commitment to this mission statement, we will be recognized as an organization that is responsive to our customers.

Unique Features

The concept of renovating unique estates is a stable financial model in the Sacramento metropolitan market which is experiencing a rapid growth in the demand for houses in the over 3 million dollar market. This is truly a niche market as there have traditionally been houses built on speculation for people in the 1.5 million dollar range and below, however, there is a very limited quantity of homes available in the over 3 million dollar price range. This demand is producing a rapid escalation in the price of homes in this category.

ABC Corporation has formed a partnership with two key people that bring a relationship with the building trade, experience in renovating other historical estates, and success in marketing the completed product.

The concept that "new is better" may work for home buyers in lower price ranges, but our research shows that homes in the over 2 million dollar range built in the early 1900s (this home was built in 1924) are consistently



valued at higher prices per square foot.

Marketing Objectives

The ABC Corporation's marketing objective is to promote and support the fact that people can purchase truly unique homes that make a statement about their way of life.

Marketing Strategy

People have a right to demand a truly unique home that is not just a large box with so many square feet of floor space. It is appropriate for buyers to expect to have this type of unique quality home available in a reasonable period of time.

Our target market focuses on the top 600 executives in metropolitan Sacramento. These executives that have rapidly moved up their organization have achieved new status through the consolidation of the High-Tech suppliers, or have been relocated to Sacramento by global High-Tech corporations establishing a North American headquarters in California. Since all of the executives in this target market will have recently moved into new positions, their expectations will be to quickly acquire a unique home that is commensurate with their new social status.

Positioning

Our houses will be seen as desirable and unique by the prospective homebuyer.

The recognition that our builder has received for spectacular renovations, coupled with the historical significance and exclusive appeal of the adjacent golf course, make this a very unique and highly desired estate.

In terms of market segmentation advantages, our house will appeal to the thirty people that we anticipate entering this market looking for a unique home.

The "selling basis" for our home is a high customer demand for unique homes. Once in the door, the customer will sell himself on his need for this unique spectacular estate.

Pricing

The price for our home will be based on the market midpoint price per square foot of houses built in the same period and in the same geographic location.

The price in the financial model will be conservatively forecasted with no escalation for property values over the period required to complete the project.

We feel that our house is reasonably priced within the ability of our target customer's ability to pay and receive superior value for the dollars spent.

Expected Accomplishments

In order for ABC Corporation to attain its vision in the manner described in our mission statement, the following primary goals need to be achieved:

- Purchase the house at or below the price forecasted in the financial model.
- Complete the renovation of the home at or below the price forecasted in the financial model.
- Complete the renovation of the home on or before the deadline in the project plan.
- Complete the renovation with a home that is recognized for its spectacular quality.
- Secure a contract with purchaser at or before the completion of the renovation.



- To utilize the customer of this house as a reference for the next potential customer.

To utilize the recognition of the quality of this home to develop a demand for other homes of similar quality and uniqueness.

Corporate

By the end of the project plan, ABC Corporation will have achieved each of the named goals and will be moving forward toward the next renovation opportunity.

Products

Upon completion of the Seeley Estate, ABC Corporation will have identified the next renovation project. We expect to market our own unique renovation projects for the Sacramento market.

Market

ABC Corporation forecasts completing and selling our first renovation project within budget and on time, resulting in achieving our initial financial goals. We will have received recognition for renovating a historically unique estate with a spectacular style. We will identify further potential renovation efforts and develop the plan to continue to generate additional revenues through additional renovations.

Sales

ABC Corporation projects completing the renovation of this unique home and selling it for total revenue of 4.5 million dollars.

- First-year total sales will be zero (annually).
- Second-year total sales will exceed \$4.5 million (annualized).

Required Capital

According to the opportunities and requirements for ABC Corporation, described in this business plan, and based on what we feel are sound business assumptions, our initial total capital requirements total \$3,040,000. This amount will enable us to purchase the estate and place required deposit down on the initial startup costs.

THE BUSINESS

Problem Statement

In today's market, there are an insufficient number of unique estates in the Sacramento market for the number of prospective buyers. The increasing number of people in the three million dollar home and above home market are feeling constrained by the limited amount of land available for development and their time to locate a new home. These people need someone with the vision necessary to renovate or develop the limited amount of available land. These people need someone with knowledge of the marketplace and the building trades that can quickly provide them with truly unique homes of distinction.

Currently, prospective homebuyers have two choices when looking for a new home. They can engage a builder to build a new home that can be built in twelve to eighteen months. They can knock down an existing home and replace it with a new home in eighteen months. Most of these prospective buyers have just relocated or are people that have just gained new stature that requires them to quickly move into a unique estate designed for entertaining.



ABC Corporation will provide a rapid solution to the expanding market demand for readily available unique estates. The market knowledge of the realtor and trade network and renovation experience of the builder assure that prospective buyers will be able to move into truly unique estates in significantly less time than they can today.

Description of the Business

ABC Corporation is a business that provides prospective estate buyers with rapid access to their new homes. The renovation of this estate will be accomplished through a partnership between ABC Corporation and Harris Partners. ABC Corporation will provide the funding for acquiring the estate and the renovation. ABC Corporation and Bill Jones, the realtor, will also provide the contacts for acquiring the property and selling the property. Harris Partners will provide the expertise and capacity for performing the renovation. Harris Partners has the experience and the staff necessary to assure the prospective buyer that they will be able to move into a unique estate in a short period of time.

This unique renovation would be targeted at the top 600 executives, entrepreneurs, and professional athletes in the Sacramento metropolitan area. The sale price of this estate would provide over a 20% return on our investment and be within the income of our typical customer, someone receiving a total annual income of over one million dollars.

History of the Business

Company

ABC Corporation was founded in 1998 to meet the demand for truly unique estates in the Sacramento metropolitan market and to take advantage of the knowledge that Harris Partners has gained in the renovation business and the market knowledge of the owner and the realtor.

It is the intention of ABC Corporation to continue to grow core business after the completion of this project by locating, renovating, and selling additional estates. Since these other projects would not take place until the completion of this project, and we cannot accurately forecast the purchase prices or the cost of renovations for specific homes yet to be identified. Projections for future projects are not included in this plan.

ABC Corporation can best be described as a business specialized in the renovation of historically significant, unique homes. Our key strengths are derived from the partnerships that we have built with Harris Partners and Bill Jones, to provide experience in locating and renovating this prime property. The team is a strong and experienced management group, and has a proven track record in marketing.

Management

The core management team is in place; however, we are in the process of reviewing the project plan in order to select the appropriate skilled trade people for this project.

Services

Our renovation partner, Harris Partners, has been tested and recognized by receiving many awards for the quality of their work.

Market Environment

The market demand, which has been growing for the past 10 years, continues to undergo rapid growth with an increasing number of new executive positions being created through corporate consolidation, relocation, and promotion. We are now poised to take advantage of this opportunity and expect to have an offer for purchase



on the home before we have completed the renovation.

Pricing and Profitability

Current prices on homes in the above three million dollar price range are increasing very rapidly in the Sacramento marketplace. However, to insure profitability, we are basing the forecasted sales price on the current market price which will provide us some flexibility to negotiate a quick sale.

Customers

Our customers are the top 600 executives, privates business owners, and professional athletes in the Sacramento metropolitan area.

Founder of the Business

David L. Seeley, President

Mr. David L. Seeley founded the company in August of 1998 and has been president of the company since that time. Mr. Seeley has had extensive involvement in various business enterprises since starting his career in 1976 in the building material business with ARBCO Inc. and Sand Hill Road Partners where he worked on architectural specifications and with local building code officials in Sacramento, CA. Mr. Seeley was owner of his own computer resale business where he employed a total of over 90 employees. In addition, Mr. Seeley has been a manager for High-Tech Energy Systems for over the last nine years where he has been responsible for an organization with over 210 employees and \$80,000,000 in annual revenue. Mr. Seeley has also been in significant leadership roles for two other corporations where he has held profit and loss responsibility. Mr. Seeley has been project manager for several large multi-million dollar projects and is very experienced with project management tools and processes. Mr. Seeley is an alumnus of Oakhurst College with majors in business administration and history. Mr. Seeley attended graduate school at California State University—Davis and has attended at least one graduate level class per quarter for the last three years. Mr. Seeley is also on the Board of Directors of a private school and is the advertising coordinator for his church.

Corporate Partnerships

Real Estate Marketing Partner

Bill Jones, Marketing Agent
Real Estate Professional Partners

Bill Jones has 24 years of experience in the real estate business in the state of California. Mr. Jones has a real estate brokers license with the state of California and is an accredited buyer representative, a certified residential brokerage manager, a certified residential specialist, and a graduate of the Realtors Institute. Mr. Jones has managed sales offices for twelve years, overseeing as many as 90 sales people and managing a budget in excess of three million dollars. He has received recognition for multi-million dollar production for every year since 1975. He graduated from San Francisco College with majors in history and mathematics and also received a master's degree in history from the University of Wisconsin.

Building and Architectural Partner

John Harris, President
Harris Partners—San Ramon, California

John Harris has over 18 years of experience in building and architecture. He is a licensed architect and builder

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in the state of California and is on the National Council of Architectural Registration Board. Mr. Harris is a member of the American Institute of Architects, the California Society of Architects, and the American Institute of Architects Design Build Committee. He is also a member of the National Building Officials Code Association, Northwestern California Building Officials Association, the National Association of Home Builders, the National Association of Home Builders Remodelers Council, and the Building Industry Association of California. He has received the National Association of Home Builders Merit Award for Residential Design and Construction and the National Association of Home Builders Grand Builder Award for Residential Design and Construction. In addition to his extensive background and awards he has a bachelor degree in architecture from Montana State University.

Management and Operations

To attain the primary goal of profitably purchasing this unique home, ABC Corporation will carry out the following objectives:

- Purchase the house at the lowest price possible.
- Use the cost of updating the existing structure to negotiate a lower purchase price.
- Use the marketing information to help reduce the purchase price of the house.

To attain the primary goal of completing the renovation under or within budget, ABC Corporation will carry out the following objectives:

- Use the earned value method of project management (where expenses are tracked according to percent accomplishment of task as well as by dollars spent).
- Evaluate the impact on expenses and the sale price of any proposed scope changes in the renovation effort.

To attain the primary goal of completing the project on deadline, ABC Corporation will carry out the following objectives:

- Utilize computerized project management tools to insure that each task is being completed on time.
- Utilize project management tools to balance the staff's load so that everyone's time can be optimized.
- Reward the members of the team financially to complete the project at or before the deadline.

To attain the primary goal of obtaining recognition for the spectacular quality of the renovation of this home, ABC Corporation will carry out the following objectives:

- Develop a high quality marketing brochure.
- Have an article created describing this project and history of the home. This article will be placed in local newspapers and in historical building publication *Historical Homes*.
- Advertise the home in local and national publications.

To attain the primary goals of securing a sales contract prior to the completion of the project, ABC Corporation will carry out the following objectives:

- Begin advertising the home before the construction is completed.
- Have the public relations communication pieces done before the house is completed.

To attain the primary goals of developing a strong reference and developing the demand for future homes, ABC Corporation will carry out the following objectives:

- Work closely with the buyer before the completion of the project to insure that their expectations are exceeded.
- Insure that this home is appointed with features that are truly unique in this market.



Regulatory & Licensing

The legal form of ABC Corporation is a California corporation, located in Danville, California.

ABC Corporation will offer a unique home that conforms to all local, state, and national building codes and zoning ordinances. ABC Corporation is being formed to renovate this historical home and then continue with other projects as they are identified.

Objectives

Revenue projections for this project, with external funding, are expected to be \$4.5 million based on the renovation of this one home. Our objective at this time is to renovate this estate and, while we are completing this project, to identify another project to propel the company into a prominent market position by establishing ourselves as the renovator of unique historical homes.

This renovation is forecasted to provide a net profit of \$1,000,000.

MARKET ANALYSIS

Market Research

ABC Corporation's market is growing rapidly. Sacramento (the county of the target market) is the second largest contributor to the Republican Party in the country. Nearby San Francisco is one of eleven cities in the United States that has four major athletic teams. It is the only city in the country that is undergoing dramatic creation of high level executive positions within one industry (due to the fact that the High-Tech industry is consolidating the smaller suppliers and is spinning off large pieces of the PC OEM business). In addition to these facts, the stock market is producing more wealth for people all over the world. All of these factors contribute to the rapid increase in the demand for spectacular homes.

The market trends show that the number of homes sold in the over two million dollar range has almost doubled (with the exception of 1997). Already through July of 1998 there have been twice as many homes in the over two million dollar range sold than all of last year. The market trend also shows that the price per square foot of the houses sold has increased by approximately 22% from 1993 to 1998. The current average price for all houses in this market segment has already gone up another 32% per square foot. All of these increases have occurred while the average number of days the house is on the market for 1997 is only two more than in 1993 (and less than any other year between 1993 and 1997).

Target Market

ABC Corporation's target market includes all adults that are making over one million dollars per year. The following chart is based on the research that we have done through Calvin's Sacramento Business, Internet websites for all of the corporations that we could locate in the Sacramento area, and our personal knowledge of the professional athletes and business professionals. There are currently approximately 600 people in this target market. The following chart shows the breakdown of this population by profession.

Distribution of People by Industry

Business Owners	208
Brokers	65
Athletes	58
Lawyers	58
Suppliers	43
Health Care	43
Non-Tech	41
High-Tech	37
Engineers	36
Franchises	22



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Customer Profile

ABC Corporation's sole service is to provide spectacular homes to people in a quantifiable market. At least 600 people in metropolitan Sacramento make over one million dollars per year.

National Real Estate publishes that the average American moves once every 6.9 years. That means that at any time 14.5% of this target market will be looking for a new home. That translates into 87 people looking for homes in this market at any time. With the current trend of increasing income it will not be unreasonable for the number of potential buyers to increase to 100 within a very short period of time.

Competition

The existing competition in this market are other properties that cost over two million dollars.

There are currently only 17 other homes on the market that are priced at over two million dollars. Other homes in this price range consist of new homes, renovated homes, and homes needing renovation. There is not a wide selection between the homes that are available. There are no other homes available that border a country club, have a swimming pool, tennis court, over 12,500 square feet of space, and are historically significant.

A key factor in the development of this particular home is that it is unique, and is probably the only property available that has a tennis court, while bordering the prestigious Blackhawk Country Club. The home is being renovated by Harris Partners, who is recognized as being the leader in renovations of historic homes in the area.

The major competitors' objectives are:

- **New Homes:** To build a new home that is unique from other homes and to offer the prospective homebuyer the opportunity to create their own home. The reality is that due to zoning restrictions and the lack of large parcels of available land it is very difficult to create a unique design for the home.
- **Renovations:** To utilize the historical significance of the home to create a unique dwelling. The challenge with renovations is that many times the existing structure does not provide the basis for developing a home that conforms to today's living and entertaining requirements.
- **Homes Requiring Renovation:** This competitive situation poses two problems. One is the same as that listed under renovations; the other is that many prospective buyers have difficulty visualizing the potential that the home possesses.

Our home is positioned to provide the prospective homebuyer with the most unique spectacular home that they can buy. ABC Corporation will also address our clients' need to rapidly move into a home that fits their general lifestyle needs.



MARKETING

Functional Description

ABC Corporation will offer a unique estate that offers a broad spectrum of appeal for people interested in entertaining and enjoying the things in life that their success has earned. The specific needs that this home addresses are:

Ability to Entertain: This home provides all of the facilities necessary to entertain any guest. The home will have a kitchen capable of serving large numbers of guests. There will be a home theater and entertainment center capable of providing any state of the art movies and interactive video experiences to individuals or large groups of people. There is a large wet bar and dance floor to respond to the need to provide dancing and drinks for large groups. There will be a complete exercise room, sauna, and whirlpool to provide top physical conditioning.

Provide Access to All Major Recreational Activities: The grounds contain a large outdoor swimming pool for pool parties or for using swimming as a means of conditioning. There is a tennis court, which will be resurfaced for ability to play competitive matches or tune up your game. The home is located on the middle of the third fairway of the Blackhawk Country Club, enabling you to practice your chip shots or drive over to the club house for a round of golf. The reflecting pond, gardens, and sprinkler systems will all be redesigned or cosmetically enhanced to provide pleasant surroundings when walking through the grounds.

Provide Showers and Changing Facilities for Recreational Activities: The home currently has separate showers and changing rooms for men and women to use when accessing the pool, tennis courts, or golf course.

Easy Access for Physically Limited Persons: The home will be retrofitted with an elevator that will travel from the basement to the third floor. This will enable any guest to have access to the entire home. It will also allow for the owner of the home to have elderly parents stay with them in the home and be able to freely move about the home.

State of the Art Security, Communications, and HVAC: This home will have a state-of-the-art security system to provide safety and peace of mind for the owner. The home will also have an intercom, stereo, and be wired for network communications in order to provide the owner with the best communications available. The home will have the heating and electrical systems updated. The home will have air conditioning and central vacuuming installed. These systems will provide the homeowner with a comfortable environment and one that requires little maintenance.

Updated Bathrooms and Bedrooms: To provide the homeowner with bedrooms and bathrooms to enjoy a standard expected by people of this level. To provide the elegance expected by houseguests.

Open Entranceway and Driveway: To provide the spectacular entrance to the home that is expected in a home that is in this market segment.

Related Products

It is the intention of ABC Corporation to use this project to further establish the reputation of Harris Partners and develop the reputation of ABC Corporation as the developer of truly unique homes.

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MARKETING STRATEGY

ABC Corporation's marketing strategy is to aggressively promote the fact that our home—the Seeley Estate—is the most unique and spectacular home in the Sacramento area.

The key to marketing is education and awareness. ABC Corporation will support an educational effort, which will contact all of the local newspapers and major home publications to provide awareness to the current local residents and prospective new residents. ABC Corporation also will support opportunities to market the home through membership in Blackhawk Country Club.

Sales Promotions

Our advertising and promotion strategy is to position ABC Corporation as the leading developer of unique homes in the Sacramento market.

The ABC Corporation marketing strategy incorporates plans to educate and recruit potential homeowners through several proven channels:

- Newspaper advertising will target specific local buyers.
- Direct contact will address a highly focused segment of the high-income population.
- Referral networking with other real estate agencies will provide a source of prescreened prospects.

Publicity & Public Relations

In the building area, ABC Corporation has entered into preliminary agreements with the leading renovator of historically significant estates and the top real estate agent in Sacramento to renovate and then market this unique estate. ABC Corporation will focus on the following publicity strategies:

- The majority of advertising for this home will be paid for by the consulting fees of the real estate company that has been engaged by ABC Corporation; in addressing all broad advertising issues, this will be relatively unchallenged.
- Local newspapers will help promote the general awareness of ABC Corporation and this project.
- National promotion through home magazines dealing with quality of lifestyle issues is innovative and largely untapped in this market.

Market Perception

ABC Corporation should be viewed as the premier renovator of unique homes. It is the fulfillment of success to be able to live a lifestyle in keeping with your achievements.

As such, our target market focuses on people that are earning over one million dollars per year, but will be best received by people that have a large equity position to invest in the home.

Objectives & Strategies

ABC Corporation's marketing strategy is to promote the fact that ABC Corporation is a developer that provides the quality of life we all expect to enjoy, and that this quality of life is attainable.

Positioning

Our home will be seen as desirable and unique by the prospective homebuyer.

The exclusiveness of our home and the quality of the workmanship will offer an advantage whereby the prospective homebuyer arrives at a highly satisfied position in his mind.



In terms of market segmentation advantages, our home will appeal to a wide variety of interests within this economic segment.

The "selling basis" for our home is awareness and education. Once in the door, the prospective homebuyer will sell himself on his need for a home that provides this quality of life.

Unique Selling Advantage

Margin Structure

Factoring in all carrying costs, expenses for the property, salaries of the workers, material costs, advertising, and the fact that the home should sell prior to completion (based on the current market average of houses selling within six months and the fact that the renovation will be completed within 12 months) the project will result in a margin of approximately 20%.

During the twelve months that it will take to complete the construction, the real estate values should increase, thus, the profit margin should improve.

Selling Tactics

Advertising and Promotion

ABC Corporation recognizes the key to success requires extensive promotion of our home. This must be done aggressively and consistently. To accomplish our sales goals, we will employ an extremely capable real estate agent supported by the top real estate agency in the area with public relations capabilities. Direct advertising will be concentrated on a local and regional basis, with national advertising contracted on a cooperative basis through some of the existing contacts that exist with national magazines.

Objectives

Our objectives are to:

- Position ABC Corporation as the leading supplier of unique homes in this market and increase the company's awareness and name recognition in the community.
- Develop, through continued analysis of market research, significant information to create immediate marketing plans and budgets.
- Create advertising programs supporting prosperous lifestyles.

Media Objectives

Our media objectives are to:

- Select primary print media advertising with specific market demographics penetration.
- Schedule adequate frequency of ads to impact targeted market with image and quality messages.
- Take advantage of special high-interest inserts or special publications when possible.
- Get the most out of our promotional budget; our media coverage will focus on the over one million dollar income bracket.

Advertising Campaign

The best way to reach our potential customers is to develop an advertising campaign promoting our basic



premise—"The Seeley Estate is the most spectacular and unique home available."

To maintain the ABC Corporation image, the delivery and tone of our statements will be informational.

- Ads will convey the "look and feel" of a unique, spectacular home.
- The prospective homebuyer is typically unaware of how difficult it is to find a truly unique home with historical significance.

Ideally, after becoming familiar with this project, the prospective homebuyer will feel compelled in turning to ABC Corporation as their only first choice to find a truly unique home.

To eliminate the biggest obstacle to immediate action, our advertisements must create the impression of exclusivity and create the desire to call for an appointment to see the home.

Because homebuying is such a personal issue, it is important to develop a promotional campaign that is consistent and easy to understand.

In addition to newspaper advertising, we will utilize regional advertising in some of the national home publications. We will gain considerable name recognition through the media. Homebuying is not an impulse decision, so the primary thrust of the advertising will be to inform our prospective homebuyers.

Public Relations

Our publicity efforts are intended to accomplish the following:

- Position ABC Corporation as the leading provider of unique and spectacular homes.
- Increase ABC Corporation's reputation and name recognition in the community that we serve.

Publicity Strategy

ABC Corporation will focus on the following publicity strategies:

- Develop a public relations effort, with ongoing contact between key historical building and real estate interest editors. Present consistent update programs for the target media, keeping editors aware of new construction completion.
- Develop a minimum of four articles edited by our builder and real estate agent, to be placed in newspapers within the next 12 months.
- Produce a complete company background on ABC Corporation to be used as a public relations tool for all grand opening announcements in print media.

Channels of Distribution

Brochure

We currently plan to produce a 2-page, 4-color brochure, which will be available at real estate offices and in the home to serve as an informational piece for potential homebuyers.

Pricing

The price for our home is determined by the average price per square foot of all the houses that are on the market at the time the house is listed. The cost model is based on the house selling at \$4.5 million, which is twenty dollars per foot less than the current average.

We feel that this is a conservative price and that we actually should be able to get a higher price per square foot due to the rapidly increasing property values in this area.



MARKET EXPOSURE AND RISKS

Description

The risks that ABC Corporation faces are:

- Adverse changes in the market demand for exclusive real estate. While we do not anticipate a drop in the real estate market, changes in the marketplace do occur due to changes in interest or a downturn in the High-Tech industry.
- Unanticipated repair costs to the home necessitated by unforeseen damage to the property. Even with the extensive background and experience that our builder has, he may discover some items requiring renovation that were not part of the original budget. Even if this does occur, we are operating with sufficient profit margins and conservative assumptions on the purchase price of property, the cost of the renovation, and the sale price of the finished product, that we will still be able to obtain a reasonable profit.

Contingency Plans

We elected to be conservative in our projections; to reflect only the sales price for the finished property that is below the current average market price per square foot. In addition we are setting the purchase price of the house in the cost model at the highest possible purchase price. We are also setting the cost of renovations at the highest possible point. The builder's actual experience in performing similar renovations indicates that we should be able to increase the profit margin by approximately 30%.

With respect to the security of the market demand, the house is an asset that can be secured for at least 80% of its value. This base level of revenues is sufficient to cover all of the expenses for this project and still provide us with a breakeven. We also know from experience that, even in an economic downturn, that high-income earners will still pay for homes that provide them with the ability to fulfill their lifestyle. Furthermore, this projection does not take into account any income that we anticipate as we identify future renovation projects and the additional income potential that may be derived from them.

FINANCIAL CONSIDERATIONS

Use of Capital

Capital Required \$3,610,000

Detail	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
	\$3,040,000	\$270,000	\$160,000	\$140,000	\$3,610,000
Property Aquisition	\$1,500,000				
Property Improvements	\$1,430,000	\$270,000	\$160,000	\$140,000	\$2,000,000
Fees/Interest	TBD				
Legal Fees	\$10,000				\$10,000
Real Estate Fees	\$100,000				\$100,000
Total	\$3,040,000	\$270,000	\$160,000	\$140,000	\$3,610,000

Capital Required \$3,610,000

Detail	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
	\$3,040,000	\$270,000	\$160,000	\$140,000	\$3,610,000
Property Aquisition	\$1,500,000				
Property Improvements	\$1,430,000	\$270,000	\$160,000	\$140,000	\$2,000,000
Fees/Interest	TBD				



Detail	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
Legal Fees	\$10,000				\$10,000
Real Estate Fees	\$100,000				\$100,000
Total	\$3,040,000	\$270,000	\$160,000	\$140,000	\$3,610,000

Balance Sheet

Forecasted Balance Sheet (Year End)

Assets	Year One
<i>Current Assets</i>	
Cash & equivalents	\$110,000
Property & investments	
Property	\$1,500,000
Property investments	\$2,000,000
Total Property & Investments	\$3,500,000
Total Assets	\$3,610,000

Forecasted Balance Sheet (Year End)

Assets	Year One
<i>Current Assets</i>	
Cash & equivalents	\$110,000
Property & investments	
Property	\$1,500,000
Property investments	\$2,000,000
 Total Property & Investments	 \$3,500,000
 Total Assets	 \$3,610,000

Income Statement

Forecasted Statement of Income (Year End)

	Year One	Year Two	Total
Net Revenues	\$0	\$0	\$4,500,000
Expenses			
Property Acquisition	\$1,500,000		
Property Improvement	\$2,000,000		
Fees and Interest	TBD		
Legal Fees	\$10,000		
Real Estate Fees	\$100,000		
Total Expenses	\$1,500,000		\$2,110,000
Income from Operations			\$2,390,000
Other Income Interest			
Income from Operations		(\$1,500,000)	\$2,390,000
Before taxes			
Provisions for Income Taxes			\$150,000
Net Income		(\$1,500,000)	\$2,240,000

Forecasted Statement of Income (Year End)

	Year One	Year Two	Total
Net Revenues	\$0	\$0	\$4,500,000
Expenses			
Property Acquisition	\$1,500,000		
Property Improvement	\$2,000,000		
Fees and Interest	TBD		
Legal Fees	\$10,000		



	Year One	Year Two	Total
Real Estate Fees	\$100,000		
Total Expenses	\$1,500,000		\$2,110,000
Income from Operations			\$2,390,000
Other Income Interest			
Income from Operations		(\$1,500,000)	\$2,390,000
Before taxes			
Provisions for Income Taxes			\$150,000
Net Income		(\$1,500,000)	\$2,240,000

Income Statement

Forecasted Cash Flow (Year End)

	Year One	Year One
Proceeds from Loans	\$3,610,000	\$0
Cash Used in Start-up Activities	\$3,040,000	
Purchase of Property	\$1,500,000	\$0
Property Improvements	\$2,000,000	\$0
Legal Fees	\$10,000	\$0
Real Estate Fees	\$100,000	\$0
Interest	TBD	TBD
Net Income from Operations		\$4,500,000
Net Increase in Cash		
Cash at Beginning of Year		
Cash at Year End		

Forecasted Cash Flow (Year End)

	Year One	Year One
Proceeds from Loans	\$3,610,000	\$0
Cash Used in Start-up Activities	\$3,040,000	
Purchase of Property	\$1,500,000	\$0
Property Improvements	\$2,000,000	\$0
Legal Fees	\$10,000	\$0
Real Estate Fees	\$100,000	\$0
Interest	TBD	TBD
Net Income from Operations		\$4,500,000
Net Increase in Cash		
Cash at Beginning of Year		
Cash at Year End		



CONCLUSION

We have highlighted the most obvious concerns and opportunities relating to the development of the Seeley Estate as focused in this business plan. Other development projects not mentioned here can be addressed in the future. Revenues have not been projected or financially determined for any future additional development projects.

Please be reminded that all the financials and calculations have been based on a sale price that is twenty (20) dollars per square foot below the current industry average. We also have based all costs on the most conservative expenses available. Traditionally, experience has proven that we can easily expect to improve the profit margin by another 10%.

Should there be a major downturn in the market or an increase in some of the projected costs, neither of these occurrences should affect our ability to generate a profit on this project and provide security through assets at all times. We believe that all of our estimates are conservative enough to provide a profit even in the most extreme conditions.

The future holds well for ABC Corporation, where the unique quality of our renovations will be recognized in the marketplace and we will be able to grow through the reputation gained on this project.

This renovation can be achieved during the next eighteen months. It will be noted that once the project is completed, it will generate a conservative net profit for Harris Partners.

Accomplishments

The development of this estate is expected to conservatively generate a 20% profit in less than 18 months (probably in 12 months if we meet our target of selling the house before it is completed). Depending on the changes in scope that the prospective makes, and our ability to control the cost of the project, we should be able to increase the profit by up to an additional 15%.

The chart below provides an overview of the expected breakdown in real estate, forecasted hard costs, controllable costs, and sales price.

Distribution of Building Costs

Real Estate Costs	\$1,500,000
Hard Improvement Costs	\$1,450,000
Manageable Improvement Costs	\$555,000

Real Estate Costs	\$1,500,000
Hard Improvement Costs	\$1,450,000
Manageable Improvement Costs	\$555,000

Objectives

The growth of the company will focus on obtaining a 20% profit on the first renovation project, then use this profit to fund other development projects.

Market Segments

The current market that the ABC Corporation will address is currently fragmented among new building, renovations, and knockdowns. The other two options are limited by the parcels of land to develop and the restrictions placed on rebuilding.

This distribution is based on all of the homes that are currently on the market and have sold year to date in the over two million dollar price range.



Distribution of Houses in This Price Range

New Construction	14
Renovations	7
Knock-Downs	2

New Construction 14

Renovations 7

Knock-Downs 2

The price per square foot for renovations is much higher than the price for new housing. In order to maintain a conservative estimate of the sales price, our project has been priced at the price per square foot for which the new homes are selling.

This price per square foot is based on all of the homes that are currently on the market and have sold year to date in the over two million dollar price range.

Price per Square Foot of Houses

New Housing	\$350.00
Renovations	\$488.00

New Housing \$350.00

Renovations \$488.00

Target Market

The ABC Corporation's target market includes anyone that makes over one million dollars per year. The following chart, according to our research shows by profession how this market segment is broken down by profession within the Sacramento metropolitan area. High-Tech suppliers are the companies that sell products to the computer industry. Franchises are the owners of the four pizza companies in the area and major owners of the other franchises. Non high-tech represents the executives of other major companies located in Sacramento (i.e. XtraSys, Blackrock Systems, Barrek Homes).

Brokers are real estate, insurance, and stock brokers. Business owners indicate owners of small businesses and independently wealthy people.

Customer Profile

ABC Corporation's sole service is to develop a unique estate that can be marketed to a quantifiable market. There are currently only about 20 homes in this price range on the market to supply a market demand for over 85 families.

The number of families entering this market will be increasing which will make it easy to sell this estate for the premium price that it deserves.

Sales Targets

ABC Corporation should be able to sell the estate before the development has been completed.

The average number of days that homes over two million dollars were on the market in 1997 was 127 days. The chart below shows the trend of the average number of days to sell homes over two million dollars during the last five years.



Average Number of Days to Sell Homes

1993.....	123
1994.....	206
1995.....	184
1996.....	190
1997.....	127

Pricing

Rates are generally set by the average price per square foot of the homes being sold in the marketplace.

Advertising

We will utilize a variety of media to promote ABC Corporation.

Distribution of Advertising Budget

Newspapers	50%
Magazines	25%
Brochures	18%
Newsletters	7%

Newspapers	50%
Magazines	25%
Brochures	18%
Newsletters	7%

Sales Promotions

Newspaper advertising will be the primary source of advertising on a consistent basis, augmented with magazines, newsletters, and print material.