

# The Residences at Black Rock:

## A Case Study



### **The Residences at Black Rock**

Town of Hingham, Massachusetts  
Plymouth County

### **Submitted by:**

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**TABLE OF CONTENTS**

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<b>I. INTRODUCTION .....</b>	<b>2</b>
A. The Builder/Developer .....	2
B. The Development .....	8
<b>II. BACKGROUND .....</b>	<b>16</b>
A. Market Research .....	16
B. Decision Process .....	20
Identifying the Target Market .....	20
Financial Considerations .....	22
Site Selection .....	23
Competitive Analysis .....	24
Product and Pricing Strategy .....	26
Marketing Plan and Conditions .....	29
<b>III. IMPLEMENTATION .....</b>	<b>33</b>
A. Advertising, Promotion and Public Relations .....	33
B. Sales .....	35
1. Sales Projections .....	35
2. Sales Environment .....	36
3. Sales Staff .....	37
C. Financing .....	38
<b>IV. INITIAL RESULTS.....</b>	<b>39</b>
<b>V. CORRECTIVE PROCESS .....</b>	<b>40</b>
<b>VI. COMPLETION OF THE DEVELOPMENT .....</b>	<b>42</b>
<b>IX. EVALUATION AND CONCLUSIONS.....</b>	<b>42</b>
<b>INDEX OF EXHIBITS .....</b>	<b>45</b>

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## I. INTRODUCTION

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### A. The Builder/Developer

Recognized for its dedication to the environment, Northland Residential Corporation is a privately-owned company which has become New England's pre-eminent developer of extraordinary real estate properties, including waterfront settings, landscapes with great natural beauty, and historic home sites. By using exceptional care in site selection, design, consultation and planning, they preserve and enhance the properties they develop.

Founded in 1971, and now headquartered in Burlington, Massachusetts, Northland looks for properties in the six-state New England area, a region where they have an in-depth knowledge and understanding of demographics, economic conditions and trends in residential development — all factors which greatly influence the quality of a real estate project. Northland also frequently acts as a real estate advisor, representing a select clientele with professional services which include land planning, brokerage, construction and financing. They are committed to providing their clients with the best advice and professional leadership, gained through their nearly 40 years of experience.

#### Principals

**John C. Dawley**, President and Chief Executive Officer  
MBA, Babson College, 1993  
MS, Real Estate, Massachusetts Institute of Technology, 1992  
Bachelor of Arts, Hobart College, 1984

Mr. Dawley joined Northland in 1985 and served the company in many capacities in his tenure, including Director of Acquisitions and Development and Chief Operating Officer. He ascended to the position of President and Chief Executive Officer in 2010, where he is principally responsible for overall management of the firm. Mr. Dawley is a graduate of Hobart College and also holds a Master's of Science in Real Estate from the Massachusetts Institute of Technology and a Masters of Business Administration from Babson College.

**Richard A. Thomas**, Vice President, Chief Financial Officer, and Treasurer  
MST, Bentley College, 1995  
BS, Bentley College, 1983

Mr. Thomas is a certified public accountant and has provided services to clients in the real estate industry since 1983. He has been associated with Northland since 1986 as an outside auditor and joined the Company in 1997. As Chief Financial Officer and Treasurer, and a principal of Northland Residential Corporation, he is responsible for all accounting matters, financial reporting, tax compliance, human resources, and managing banking and investor relations.

**Elaine F. Leonard**, Vice President, Director of Sales and Marketing  
BA, Boston College, 1974  
MBA, Simmons College Graduate School of Management, 1984

Recognized for her accomplished track record in residential sales and marketing, Ms. Leonard joined Northland in 2006 as Director of Sales and Marketing. Prior to joining the firm, she was associated with American Real Estate Partners (a division of Icahn Enterprises). Her professional experience also includes partnering in a full-service marketing firm targeted to meeting the needs of large-scale developers. She was appointed Vice President, Director of Sales and Marketing in 2008. In this role, she is responsible for orchestrating all of Northland Residential's on-site sales operations and marketing initiatives.

**Peter D. Crabtree**, Vice President, Director of Acquisitions and Development

Mr. Crabtree has over twenty years of experience in the real estate industry with a wide range of accomplishments. His deep interest in the field led him to Massachusetts Institute of Technology, where, in 2000, he attained his Master's Degree in Real Estate Development. Since joining Northland in 2001, Peter's responsibilities have included identifying acquisition opportunities, financial and market analysis, due diligence, permitting, project management, and fee-for-service consulting activities. Peter is the recipient of a Gold PRISM award for Best Project Manager from the Builder Association of Greater Boston.

**Keith E. Moore, CGP, CGB, CAPS, Vice President, Director of Construction**

Mr. Moore joined the Northland team in 1999 as Senior Project Manager of several multi-family condominium projects on Cape Cod. In his new role as Vice President, Director of Construction and principal of Northland Residential, he is responsible for all construction activities, and has built and conveyed over 300 homes in the Massachusetts area. Mr. Moore holds a Bachelor of Industrial Science Degree with a strong background in construction management. He is a licensed construction supervisor and has earned the CGB (Certified Graduate Builder), CAPS (Certified Aging in Place Specialist) and CGP (Certified Green Professional) designations through the National Association of Home Builders (NAHB). Keith continually works with his team to keep Northland Residential on the forefront of environmental stewardship.

### **Summary of Recent Development Projects**

Northland has gained recognition for developing extraordinary properties throughout New England. The firm's diverse portfolio of properties includes dramatic multi-acre home sites to luxurious communities with the finest homes and townhomes. Northland is currently developing four condominium communities within Massachusetts: The Residences at Black Rock, a 138-home golf course community in Hingham; The Villages at Brookside, a 241-unit golf course community in Bourne; The Woodlands at Belmont Hill, a 121-unit condominium community in Belmont; and The Village at Seven Springs, a 94-unit condominium community in Burlington. A detailed summary of Northland's properties can be found in Appendix 1, Exhibit A.

### **National Recognition**

#### **"The Nationals" - National Association of Home Builders Sales and Marketing Council**

- Best Architectural Design of a One-of-A-Kind Detached Home - The Residences at Black Rock
- Best Product Design of a Multi-Family Community - The Villages at Brookside
- Best Staging of a New Home - The Residences at Black Rock
- Best Staging of a new Home - The Woodlands at Belmont Hill

### **Professional Builder Magazine**

- Silver Award for Best Community (The Village at Seven Springs - Burlington, MA)
- 10th Best Building/Development Firm to Work for in the U.S.

### **2008 Building With Trees Awards of Excellence**

- NAHB National Green Building Conference (a joint project of the National Association of Home Builders and the National Arbor Day Foundation). Northland was one of only two developers nationally to win this award.

### **Builder/Architect of the Month**

- The Woodlands at Belmont Hill
- White Cliffs Condominiums
- Stratford Ponds
- The Villages at Brookside

### **Regional Recognition**

#### **PRISM Awards (Prestigious Results in Sales and Marketing) - The Builder's Association of Greater Boston**

- Silver and Gold Awards for Best Print Ad (Community)
- Silver Award for Best Historic Renovation
- Gold Award for Best Single-Family Home (2500 to 4000 sq ft)
- Silver Award for Best Brochure (Commercial or Residential)
- Silver Award for Best Multi-Family or Single-Family Reuse/Conversion
- Silver Award for Best 55+ Community
- Gold Award for Project Manager of the Year
- Best Innovative Land Planning Design
- Best Multi-Family Design under \$250,000
- Community Service Award
- Best Brochure for a Community with an average value over \$300,000
- Best Brochure for a Community with an average value under \$300,000

### Conservation Awards & Recognitions

- Donation of Fowler's Beach, Long Island, ME - Oceanside Conservation Trust of Casco Bay
- Largest Single Private Conservation Transaction, Carlisle, MA- Carlisle Conservation Foundation
- Master Conservation Plans of Goodnow Farm, Sudbury, MA - Sudbury Valley Trustees & Sudbury Conservation Commission
- 440 Acre Public Open Space Donation at King Ridge, Sutton, NH - Ausbon Sargent Conservation Trust & Sutton Conservation Commission

### Community Involvement

- Northland Residential has twice partnered with **Habitat for Humanity** to build a residence for a family in need. Northland solicited assistance from its vast network of vendors, suppliers and subcontractors, and participated in team-building days with all company staff taking part in the completion of the home.
- A real estate broker well known to Northland had unfortunately developed breast cancer and passed away in 2010. Northland launched a breast cancer awareness program in her memory. Lunch bags were designed utilizing the firm's community logos, and were filled with educational information about breast cancer and the importance of early detection. These bags were distributed throughout October to brokers, prospects, and homeowners, to get yearly mammograms and to encourage their loved ones to do the same.
- Historically, many of Northland's buyers were downsizing into condominiums from large single-family homes, thereby creating a surplus of furniture and other home items. Northland developed a program with the **Massachusetts Coalition for the Homeless (MCH)**, whereby MCH will pick up these household items free of charge, and utilize them in assisting those transitioning from homelessness into homes. Additionally, as model home furniture becomes dated or slightly worn, it is donated to the MCH program as well.

## **Objectives and Strategies for Future Growth**

Northland Residential Corporation seeks to acquire high quality, well located suburban and resort land parcels from five to five-hundred acres in size. These parcels should be suitable for the implementation of thoughtfully conceived residential communities and/or estate quality home sites. Historically, the properties they have developed were typically ocean, lakefront or other exceptional tracts possessing unique natural features and amenities which allow the firm to create a distinctive setting for luxurious residential living. The properties often have existing buildings or other man-made improvements, or are simply "raw land." In acquiring property, the company takes great pride in creatively developing a site plan that maximizes privacy and beauty while preserving the property's environmental integrity.

The senior management team is constantly searching for special opportunities that lend themselves to a high-end, low density "limited" development approach. The communities they create are the result of working with the land and maximizing the natural amenities inherent in each piece of property. Many of their most successful projects are the result of working closely with conservation groups, municipalities and family estates which seek to carefully realize the economic benefits of their property while at the same time preserving their legacy in the property. They are strong advocates of "smart growth" and environmentally sensitive planning.

Northland frequently provides real estate advisory consultation on a fee-for-service basis to a select clientele who will benefit from the breadth of their experience, expertise, and resources.

Advisory services are offered in a menu format, allowing the firm to create customized programs specifically tailored to each client's goals and timelines.

### ***Professional consultation services include:***

- Project Feasibility Analysis
- Project and Construction Management
- Debt and Equity Financing Coordination
- New Profit Center Development
- Land Planning



- Permitting Coordination
- Green Building and Sustainability
- Brokerage
- Real Estate Marketing
- Design Center Operations
- Sales

In addition to the staff's broad range of expertise, they have access to a vast network of industry experts. Over the course of the past 35 years, they have cultivated relationships with conservation groups, municipalities, family estates, attorneys, planning boards, review committees, historical commissions, regulatory entities, and financial institutions.

## **B. The Development**

### **1. Location - Hingham, Massachusetts**

Hingham's roots go back to the earliest days of European settlement in the new world, not many years after the Mayflower reached American shores. The first Europeans arrived in this area in 1633, calling the area Bare Cove. The first significant European territory was established in 1635 when settlers arrived from Hingham, England. In that same year, they renamed the town, Hingham, and it was incorporated as the twelfth town in the Massachusetts Bay Colony.

Eventually, Hingham became a major port of entry, as well as a thriving fishing port, which gave rise to its major industries - coopering and cordage, the success of the former earning it the sobriquet Bucket Town. Other industries included shoemaking, cabinetmaking, leather working and blacksmithing.

Today, Hingham's rich history can be savored in the elegant antique homes that line its famous Main Street -- once referred to by Eleanor Roosevelt as "the most beautiful main street in America" -- its great swaths of open spaces that remind one of the virgin landscape that greeted the early settlers, and its lovely, protected harbor little changed since the first settlers came here full of dreams and hopes that continue to be realized by those who have followed in their footsteps.

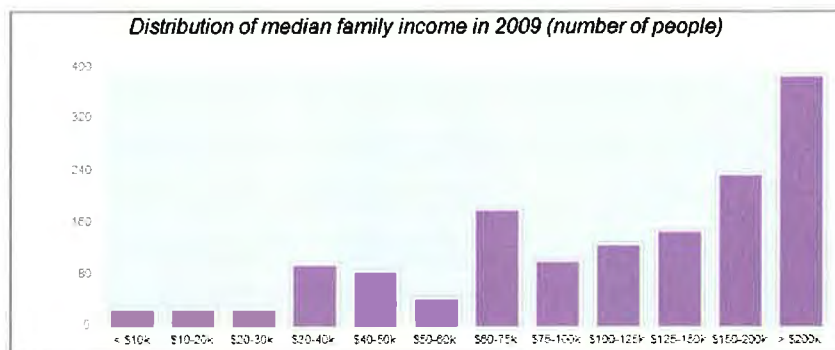
For the twentieth time, Hingham was recently named "Tree City USA" by the National Arbor Day Foundation in recognition of the town's commitment to tree care and planting, an issue relevant to Northland Residential's own philosophies of conservation and preservation.

Hingham is one of the Commonwealth's more affluent communities, and remains a fairly small, intimate community. Just 22.5 square miles in area, the town's population in 2010 numbered at just 5,650, which was up 5.6% from ten years earlier. The population density averages 909 people per square mile.

- The estimated median household income in '09: \$91,783 (up from \$86,574 in 2000).
- Estimated median house or condo value in 2009: \$655,039 (it was \$347,600 in 2000).
- Mean prices in 2009: All housing units: \$809,344; Detached houses: \$815,430; Townhouses or other attached units: \$326,622; In 2-unit structures: \$552,745

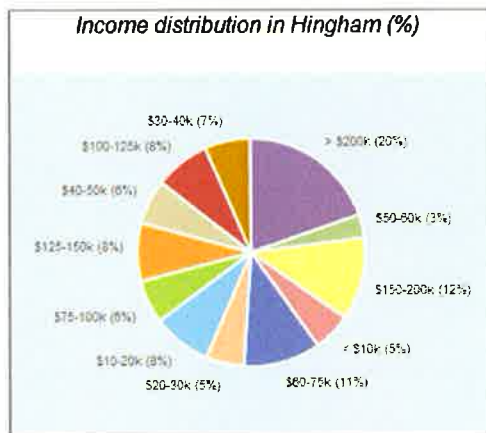
Comparing Hingham to the rest of Massachusetts:

- The median house value is significantly above state average.
- The unemployment percentage is below state average.
- The median age is above state average.
- The renting percentage is below state average.
- The number of rooms per house is above state average.
- The percentage of population with a bachelor's degree or higher is significantly above state average
- The median household income is above state average.

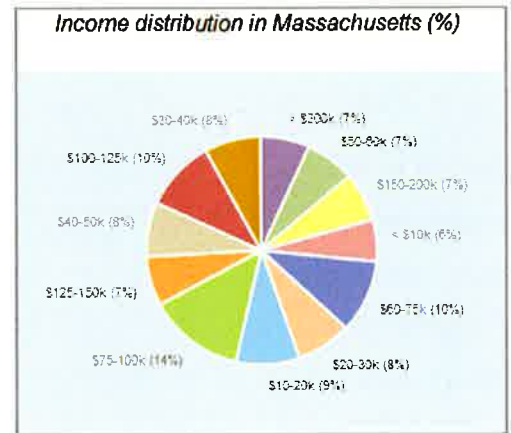


Source: [www.city-data.com](http://www.city-data.com)

The graphs below depict the income distribution in Hingham as compared to elsewhere in Massachusetts. As shown here, the income in this area is much higher in Hingham than in other towns in the Commonwealth.

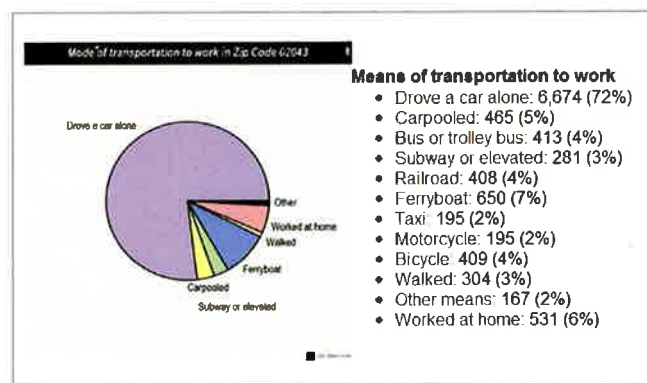


Source: [www.city-data.com](http://www.city-data.com)



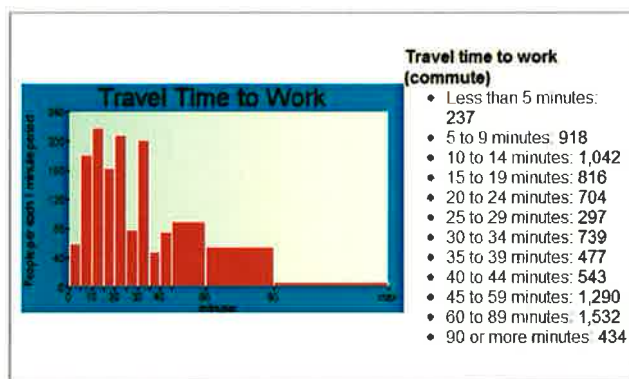
Seventy-three percent of Hingham residents lived in the same house five years ago. Out of people who lived in different houses, 40% lived in this county. Out of people who lived in different counties, 50% lived in Massachusetts.

Eighty percent of residents who work do so outside of Hingham. Hingham residents who commute to Boston (approximately 11 miles away) for work have a number of transportation options. Commuters may choose to drive via interstate highways -- State Route 128 and Interstate Route 495 divide the region into inner and outer zones, which are connected by numerous "spokes" providing direct access to the airport, and intermodal facilities of Boston. Principal highways are State Route 3, the Southeast Expressway connecting Boston to the South Shore and Cape, and State Rtes 3A and 128.



Source: [www.city-data.com](http://www.city-data.com)

Commuter rail service in Hingham is provided by the MBTA via the Greenbush line. Travel time to Park Street station (Downtown Boston) approximately 20 minutes. Hingham is a member of the Massachusetts Bay Transportation Authority (MBTA). There is fixed route service to Quincy Station. The MBTA also provides THE RIDE, a paratransit service for the elderly and disabled. The Plymouth and Brockton Street Railway Company provides bus commuter service to Boston. Commuter boat service is available from Hingham to Rowes Wharf, Boston, by Boston Harbor Cruises. The Airport Water Shuttle provides transportation to Logan Airport from Rowes Wharf in Boston.



Source: [www.city-data.com](http://www.city-data.com)

## 2. **History of Black Rock**

If one were unfamiliar with the history of the Black Rock property, one might think the developers were given an idyllic piece of New England property – teemed with rolling rock outcroppings – with which to work. Nothing could be further from the truth. Though from a harsh beginning, a work of art of lasting beauty has emerged.

In 1992, real estate developer and golf enthusiast George McGoldrick moved to the south shore of Massachusetts. Though he loved the area, a key attribute was missing and that was the ability to play at a golf course nearby. The private clubs had greater than ten-year waiting lists, leaving McGoldrick and his friends little option but to drive for an hour just for the opportunity of playing a five-hour round at a crowded public course.

As a developer, McGoldrick appreciated that the high-end demographics of the greater Hingham area thirty minutes south of Boston supported a golf course. The rub was where to find a block of land big enough for both a course and real estate component. McGoldrick became aware of a 200-acre rock quarry that had recently traded hands and was presently owned by Jim Read. Of course, a rock quarry presented all kinds of construction challenges but it did have one benefit: other parcels of land around it were available for sale as no person or business voluntarily elects to locate beside an active rock quarry.

McGoldrick and Read decided to partner and established Black Rock Developments in January of 1999 for the sake of building the golf course and adjacent homes. They acquired the various parcels of land around the quarry, which totaled an additional 250 acres.

Renowned golf course architect Brian Silva was invited to tour their 400 plus acres at Black Rock. The quarry was still active in the winter of 1999 with many of the rock land forms extreme to the point where one had to wonder if a course should even be built here, much less one that would render holes of superb golf quality. Blasting and disposal of huge boulders too big for the crusher would be a major task during construction. In addition, wetlands were scattered throughout.

The monstrous task of building the course from such an unpromising beginning as a gravel quarry commenced. The challenges were numerous and occurred on an almost daily basis. Finding soil and clay was one of the biggest, but the timing was fortuitous as there were several huge building projects in process around Boston at this time including one at Massachusetts Institute for Technology (MIT). These projects were looking to rid themselves of dirt and clay and Black Rock quickly struck a deal with them. Reciprocally, the raw materials excavated from Black Rock were recycled into the downtown Boston Central Artery project. Known as The Big Dig, it is the largest and most comprehensive road construction project in U.S. history.

With continued excavation of the quarry and ongoing construction of the golf course, the project followed its natural progression into the creation of an adjacent upscale residential community. The development began in 2003 as a partnership of Jim Read, a

founder of Read Sand & Gravel Inc., and developer George McGoldrick. The Residences at Black Rock was to consist of 138 townhomes designed by CBT Architects of Boston. The luxurious homes offer an exquisite blend of elegance and warmth. The homes are reminiscent of traditional New England homes with traditional cedar shingled roofs and richly landscaped grounds enhanced by the charm of tumbled pave stone driveways. The community is designed to offer year-around recreational amenities. These include an outdoor pool, five tennis courts and a year round, and 9,000 square foot fitness facility. Paving stone paths provide outdoor scenic exploration and enjoyment for all seasons such as walking, jogging, or biking.

The partners built 74 of the existing homes, and then split up the development in 2007. At that time, McGoldrick took over the Black Rock Country Club, which includes a golf course, pools, fitness center and other recreational facilities.

The residential portion of the project was controlled by Read, the Boston-based real estate investment firm Leggat McCall Properties, and Webster Bank of Providence. Market conditions took a turn for the worse as the credit crisis hit in the fall of 2008, which affected the high-end housing market significantly. Black Rock stalled and finally faltered.

In the summer of 2009, Leggat McCall Properties contacted Northland Residential (a developer known for its a successful legacy of revitalizing stalled communities in New England). Home to many well known local celebrities (including sports officials and musicians), the community of Black Rock was one that Northland was quite familiar with. The parties assessed the state of the market and discussed how to recapitalize and restructure the project to ensure it could move forward in a productive and rational manner.

Northland assumed the development rights in 2009 with 52 homes left to build. This new venture was made possible as the result of an unprecedented partnering of Northland's network of private high-net-worth individuals, widely respected real estate professionals and committed residents. United in their appreciation of the intrinsic value of Black Rock's location in the historic town of Hingham, its convenient access to commuter routes, the site's unparalleled natural beauty, and the community's

established branding, the parties established a new entity—Black Rock Residential LLC—to complete the build-out. The first sale came within a month of the acquisition, indicating a pent-up demand for high-end homes in the area.

### **3. Black Rock Today**

Today, nestled amongst granite hillsides and pine woods in the heart of historic Hingham Massachusetts, The Residences at Black Rock evoke the warmth and charm of a classic New England village while providing the contemporary amenities of the finest resort communities.

The Residences at Black Rock is a condominium community, situated within a 357-acre parcel of land, which is shared with the privately owned Black Rock Country Club. Many of the homes overlook the lush, links-style fairways. The entire property has been expertly developed to convey a timeless elegance amidst the stark beauty of its mature forested landscapes, massive stone outcroppings and open fields of fescue.

Each home looks out at some of the most spectacular scenery on the South Shore. The lush, emerald fairways of the Black Rock Country Club, wooded hollows, granite cliffs and meandering Plymouth River create a panorama of unparalleled beauty no matter what the season.

With a total of just 138 residences, The Residences at Black Rock offers an exquisite blend of elegance, warmth, and New England charm. And there are luxurious options to suit every need and taste. On the exterior, every home features traditional cedar shingles, mahogany decks, brick paver walkways, and richly landscaped grounds.

All of the homes will be free-standing and are comprised of a mix of six standard floor plans. The plans range in size from 2,398 square feet to 3,716 square feet and are currently denoted as: the Addington, the Belvedere, the Creston, the Dartmouth, the Eaton and the Glenwood, all named after famous golf courses throughout Europe.

- Addington** ..... A 2-level home with approximately 3,653 square feet, which includes 3 bedrooms, study and 3.5 baths
- Belvedere** ..... A single-level home with approximately 2,398 square feet, which includes 2 bedrooms, study and 2.5 baths
- Creston** ..... A 2-level home with approximately 3,716 square feet, which includes 3 bedrooms, study and 3.5 baths
- Dartmouth**..... A 2-level home with approximately 3,276 square feet, which includes 3 bedrooms, loft / media room, study and 3.5 baths
- Eaton** ..... A 2-level home with approximately 2,787 square feet, which includes 3 bedrooms, study, family room and 2.5 baths
- Glenwood**..... A 2-level home with approximately 2,490 square feet, which offers 3 bedrooms, study and 2.5 baths

Each of these homes features a two-car attached garage and a driveway, which accommodates two additional exterior parking spaces. Guest parking is provided as space permits. The option of a three-car garage or a golf cart-garage is available on select lots.

As part of the maintenance-free environment, residents receive the most meticulous care and highest quality services, allowing them to enjoy all of the benefits of Black Rock without the usual cares of home ownership.

While The Residences at Black Rock and the privately owned and operated Black Rock Country Club are under separate ownership, residents can choose from a variety of membership opportunities, and may avail themselves of the use of their two swimming pools, tennis courts, paddle tennis, state-of-the-art health and spa facility, and grand clubhouse, which may be rented out for weddings and other private events.



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## II. BACKGROUND

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### A. Market Research

As The Residences at Black Rock was a community already underway, Northland Residential's market research took a different tack than a developer may have chosen when starting a development from the beginning. As the firm delved into its due diligence period and evaluated the Hingham housing market, a number of primary data sources were researched, including extensive one-on-one and group discussions with local real estate brokers, focus groups with people in place (i.e., existing residents within the community), and in-depth discussions with the previous developers. Company officers had extensive personal knowledge of the Hingham area as well, and provided in-depth insight into the area's demographic and psychographic attributes.

Secondary data sources included the local MLS system, local chamber of commerce, the census bureau, and a number of online research services, including city-data.com and metrostudy.com. Examples of research findings can be found in Appendix 3, Exhibit A.

The firm felt that in addition to the primary data and information they received from the existing developer and investors, they could garner any additional information they needed about Hingham, the project, the marketplace from these venues.

#### 1. Competitive Market Overview

During the course of the previous three years, the national and regional housing markets had weakened appreciably, with telltale signs of the downturn having begun in mid-2005. The effect had been a dramatic market correction in the affluent housing markets. However, it appears that in Q4 of 2009 and Q1 of 2010, there were some positive indicators, which signal that the worst was, or would soon be, over. PricewaterhouseCoopers predicted in its 2009 edition of Emerging Trends in Real Estate, a "bottoming" of pricing was expected by late 2009. Locally, the Jones Lang LaSalle Residential 2009 Report indicated that although the volume of sales in the greater Boston market has dropped 10-20 percent over the previous year; pricing had been less impacted, dropping between 3 to 10 percent. With respect to the South Shore/Route 128 South sub-market, the statistics show that sales were down

approximately 16 percent from the previous year. However, pricing in this area had held up relatively well, down by only 3 percent from the year before.

The aforementioned PricewaterhouseCoopers report suggests that homes closer to prime commercial cores outperform and were a “best bet” for 2009 & 2010. By virtue of its location and ready accessibility to Boston, homes in Hingham and new product within the unique Black Rock community would qualify for this designation. Reflective of what Northland viewed as a growing confidence in the Hingham market, Lennar Corporation and Boston-based Samuels and Associates had subsequently re-launched two significant condominium projects. Both were located in the town’s shipyard area, which has been revitalized as a mixed use/transit oriented development. Previously “sidelined” in 2008 due to adverse market conditions, both condominium developments were been resurrected in summer 2009. Additional information about these competing developments may be found in Section II.B.4.

Specific to The Residences at Black Rock, the property’s historic sales performance indicated that it enjoyed robust sales from 2003 through 2005. Following the national and regional real estate market trends, sales at Black Rock began to slow measurably in 2006 and lagged until its eventual stall in 2009. The following table summarizes the sales activity and average pricing achieved to date.

<b>Year</b>	<b># of Sales</b>	<b>Avg. Sales Price</b>	<b>Avg. Sales PSF</b>
2003	14	\$913,113	\$340
2004	26	\$1,294,226	\$403
2005	23	\$1,371,344	\$443
2006	11	\$1,617,685	\$530
2007	0	-	-
2008	8	\$1,304,729	\$465
2009	1	\$2,289,572	\$660

At the time of Northland’s acquisition in 2009, 52 units remained to be sold. With most economists predicting that the recession would bottom out in the second half of 2009 or early 2010 and signs of price “leveling” throughout the Greater Boston marketplace,

Northland was optimistic that they could effectively re-package and re-position the product in the first year, and could build the momentum necessary to fuel a sellout in a four-to-five year timeframe.

**2. Competitive Market-Pricing and Absorption**

The Residences at Black Rock is the only new golf course oriented community within a 20-mile radius of Boston constructed within the past few decades. As previously indicated, the property consists of high-end detached condominiums in a gated community, which wraps an 18-hole championship golf course. There is no truly comparable product with similar appeal and proximity to Boston. However, in order to establish an understanding of the general competitive market, the firm researched current sales data from two golf course communities, as well as new condominium developments in Hingham, and the present activity in the area’s single-family re-sale market. Additional details about this research can be found in Section I.B.1.

**3. Residential Price and Absorption Statistics**

The percentage of owner-occupied housing units in Hingham is much higher that of the Commonwealth. Most of Hingham’s housing stock consists of single family homes; although as the following table illustrates, 57 of the 247 sales transactions in 2008 were condominiums. Also worthy of note is that for the first time in Hingham, with a median price of \$800,000, more than half of the condominium sales in 2008 involved new luxury units.

Calendar Year	Single Family		Condominium	
	# of Sales	Median Price	#of Sales	Median Price
2008	190	\$632,500	57	\$800,000
2007	281	\$624,900	46	\$353,500
2006	250	\$590,000	65	\$365,000
2005	302	\$655,000	90	\$398,950

This table also illustrates, in 2008 single family median prices were down only by 3.4 percent from the peak in 2005.

The market research substantiated their premise that higher-end waterfront/ water view single-family homes do represent competition. However, not only are these homes a scarce commodity, when they are introduced to the market in the \$1,000,000-\$1,500,000 price range, they typically require significant work.

Other potential competition for the new townhomes would be the resales within the community itself. From the time of acquisition, it took a bit of time for the firm find solid footing within the community, and it took some months to have a steady flow of inventory available for delivery. However, the firm began its marketing and public relations efforts immediately, so as to inform the public that there was a new developer on the project, and that new homes would be available soon.

Northland's significant advertising and PR efforts spawned a renewed awareness of *all of Black Rock*, not just the new construction homes, bringing an influx of prospective buyers into the community. Seeing the tremendous beauty and value within Black Rock, but realizing that Northland would have few to no homes available for delivery for some time, buyers turned to re-sales within the community.

MLS showed that there were six resales, all of which have been listed within the last 120 days of 2009. They were:

	<b>List Price</b>	<b>List Price/PSF</b>
26 Black Rock Drive	\$1,699,000	\$457
27 Black Rock Drive	\$1,275,000	\$443
30 Clubhouse Drive	\$1,295,000	\$410
65 Clubhouse Drive	\$1,399,000	\$443
19 Black Rock Drive	\$1,299,000	\$291
75 Clubhouse Drive	\$2,500,000	\$448

#### **4. Market Performance**

Although the market activity heretofore described was of some use in gaining an understanding of market conditions, the greatest bell weather for the pace and pricing outlined in the proforma was the actual historic performance of the development. There were 8 sales in 2008, averaging a sales price per square foot of \$465. This

reflects a drop of 12.5% from the average 2006 sales price of 530 per square foot. Northland saw this drop as consistent with the overall softening of the market both nationally and locally. In keeping with the reasonable and conservative position adopted in predicting pace, at 428 per square foot, the average price per square foot on the proforma represents a cumulative 8.0 percent drop from the 2008 figure.

## **B. Decision Process**

### **1. Identifying the Target Market**

What is evident from the sales history at Black Rock is that the development attained a commendable track record during its first three years. Thereafter, through a combination of circumstances prompted by the softening of the national, regional and local residential real estate markets, sales absorption suffered. Marketing efforts were significantly curtailed, and, as a result, market recognition of this outstanding property diminished. Northland's experience dictated that they could regain visibility and drive the traffic necessary to sustain a timely sellout by executing a comprehensive marketing campaign in both the local and regional marketplaces.

The target market for these units was identified to be principally people residing in or near Market (those seeking to relocate to Hingham). Suburban Boston in general and particularly some of the more affluent communities outside of Boston have experienced price decreases and longer selling periods in the previous two years. These communities, as well as Black Rock, were projected to continue to see sales price erosion.

An analysis of the current resident base revealed that the majority of the buyers came from Hingham and neighboring towns; although the property has also drawn from other affluent towns throughout suburban Boston, as well as a broader "relocation" market. As such, the marketing strategies will target the following three "sub-markets."

### **The South Shore Suburban Market**

The market includes Hingham and the more affluent towns of Cohasset and Duxbury, as well as Scituate, Marshfield and Norwell. The latter communities all fall within approximately ten miles of the property, to the south.

### **The Suburban Boston Market**

Includes communities in Norfolk and Middlesex counties, most are located west or northwest and in close proximity to Route 128. Select towns in these counties, such as Milton, Dedham, Westwood, Medfield, Needham, Newton, Lexington and Winchester fall within approximately twenty-five miles of the property and provide an affluent buyer pool.

### **The Relocation Market**

The Residences at Black Rock represents the only new-golf course oriented community within 20 miles of Boston constructed within the past few decades. The golf course and the clubhouse, as well as the pool and tennis courts, are established and provide a tangible “resort setting” for high end executives, sports figures and celebrities. Based on previous experience, Northland considered it opportunistic to tap into broader regional marketplaces, i.e. the New York and New Jersey corridors to identify these types of prospective buyers.

Within all three submarkets, Northland planned to focus primarily on empty nesters (46 to 62 years of age), retirees (62+ years of age), and to a lesser degree, professionals with children (usually in their forties). Rather than choosing a high-maintenance, single-family home, Northland saw these individuals choosing a simpler, maintenance-free lifestyle in a newly constructed luxury townhome within in an established community, distinguished by its resort setting. This type of buyer would perceive the quality-built townhomes with upscale finishes as very desirable. The convenient location to Boston will also be highly valued.

As more than 80 percent of Hingham residents who work do so outside of the town, it was clear that Hingham was not to be considered a town which would draw a large influx of working individuals. However, with a number of commuter options available (car, bus, train and boat), Hingham is a desirable suburban location, and would therefore be a strong draw for those who commute to high-paying positions in nearby job centers, the most obvious being the capital city of Boston, just 11 miles away.

As the community was well underway when Northland acquired the rights, it was deemed important that the home styles and exterior layouts remain in harmony with the homes already built. Therefore, the firm had little flexibility in determining what type of homes their target market would seek. Northland's principals reviewed the home styles and made any logical changes to the interior style, floor plan layout, and appointments they felt necessary to best appeal to the target market. As time went on, further modifications were made to these home styles, and certain floor plans were discontinued altogether.

In order to motivate the empty-nester and retiree population (and in keeping with product throughout Northland's extensive portfolio), all homes feature a first-floor owner's suite. Homes are designed for easy entertaining, with ample private areas for easy living. Exclusive use areas for each home include private outdoor decks and patio areas.

Understanding that buyers in the target market maintain a certain perception of value at the \$1M+ price point, the finest of appointments are incorporated into the homes as standard features, including fireplaces with built-in cabinetry, crown molding, hardwood flooring, modern baths, sunrooms, and walk-in closets. Homeowners will enjoy the opportunity to personalize their home with the aid of a kitchen and bath design firm. Numerous additional opportunities will be available for enhancement and upgrades.

## **2. Financial Considerations**

An initial proforma (which can be found in Appendix 4, Exhibit G) for the project was drafted, projecting the proposed 4-year build-out. With a similar construction cost scenario to another of Northland Residential's projects -- The Woodlands at Belmont

Hill -- the firm was comfortable with the budgets outlined, and projected that the sell-out of the property within the anticipated time frame would provide a significant return on investment for the firm and its financiers on this community.

85 units at Black Rock have been completed and sold to date. Through 2005, the sales pace averaged 2 units per month. Average sales prices were \$339, \$403 and \$446 per square foot in 2003, 2004 and 2005 respectively. In 2006, 11 units sold at prices of \$390 - \$650 pre square foot for units that range in size from 2,400 to 3,650 SF, with an average of \$537 per square foot for units in the 3,000 square foot range.

**Proforma Summary:**

***Projected Unit Pricing***

- 10% @ \$850,000
- 15% @ \$950,000
- 50% @ \$1,050,000
- 15% @ \$1,200,000
- 10% @ \$1,325,000

***Gross Projected Sales Revenue***

- \$58.2 million (\$1,119,000 avg. per unit)
- Average Sq. Ft. / Unit – 2,610
- Average price / Sq. Ft. - \$410,000
- Option 5% gross revenue @ 15% net margin

As shown in the proforma, the projected profit is \$8,642,000 or a 15% margin on sales of \$58,219,000. Marketing budget was set at 2.75% (a detailed working marketing budget may be found in Appendix 4, Exhibit H).

**3. Site Selection**

At the time Black Rock was first conceptualized and developed, it was to be an elite community, very private, and well protected. This plan appealed to the clientele who subsequently purchased their homes there, and this lifestyle was expected to perpetuate, despite a new developer's involvement. Because the gated front entrance



to the property was technically within the purview of the golf course owner, Northland Residential was required to work within the parameters set forth by this owner. The owner felt that the subtle existing signage at the entrance was all that would be allowed, there was little Northland Residential was able to do in creating a more visible and welcoming front entrance to the community. Photos of the entrance are provided within Appendix 2, Exhibit D.

Way-finding signage throughout the community was also restricted by the golf course owner, and therefore Northland Residential has often struggled with striking a balance between creating a warm, welcoming environment for prospective buyers and visitors while maintaining the privacy and protection of the community for existing residents.

**4. Competitive Analysis**

***Back River Townhouses, Hingham, MA***

Back River Townhomes is set within the 500-acre Bear Cove Park along the Back River. The site is close to the new commuter rail station, as well as the Hingham Shipyard. Upon completion, this complex will consist of 45 attached townhouse condominiums, configured in 2-4 unit clusters. The unit sizes range from approximately 2,100 to 2,240 square feet, and include 3 bedrooms and 2.5 bathrooms. All have 2-car attached garages. The full basements afford the opportunity to finish lower level space. Approximately half of the units will offer balconies overlooking the Back River. The specifications are consistent with high end suburban product-marble and granite countertops, hardwood flooring and high efficiency 3-zone HVAC. Half of the units have been sold. The absorption pace for the last 18 months reflects 1 per month. Those sales include:

	<b>Sale Date</b>	<b>Sale /List Price</b>	<b>Sale/List PSF</b>
23 Back River Rd.	10/30/2008	\$1,071,129	\$469
39 Back River Rd.	7/30/2008	\$1,002,682	\$456
8 Heron Way	7/15/2008	\$1,073,200	\$488
9 Osprey Lane	UA-10/1/2009	\$1,100,000	\$500

MLS shows 4 active listings:

		<b>List Price</b>	<b>List Price/PSF</b>
5 Osprey Way	Available	\$1,050,000	\$477
2 Heron Way	Available	\$889,000	\$404
6 Heron Way	Available	\$889,000	\$404
19 Back River Rd.	Available	\$825,000	\$375

***The Moorings, Hingham Shipyard, Hingham, MA***

The Moorings will comprise 98 single level units in three buildings. The first of the three buildings (a 5-story structure with 26 units) is presently under construction. Most have water views and all will have 2 deeded underground parking spaces. They will range in size from 883 to 2,119 square feet and will offer high-end finishes. The 2008 sales launch was impacted by adverse market conditions and the construction and marketing efforts were suspended. Recently, the units were re-priced and re-introduced to the marketplace. Since June, 7 units have been reserved. Pre-construction pricing for the smaller units is currently starting at \$495,500 (883 square feet) and tops out at \$1,275,500 for a 2,119 square foot unit. Units are slated to be delivered in the Fall of 2010.

		<b>List Price</b>	<b>List Price/PSF</b>
23 Shipyard-#N504	UA-Fall 2010	\$1,295,000	\$611
23 Shipyard-#N503	UA-Fall 2010	\$1,095,000	\$645
23 Shipyard-#N501	UA-Fall 2010	\$895,000	\$605
23 Shipyard-#304	UA-Fall 2010	\$575,000	\$435

***Hewitt's Landing, Hingham Shipyard, Hingham, MA***

Black Rock's strongest competition within the town of Hingham is Lennar's luxury development, Hewitts Landing, a waterfront condominium community of 2- and 3-bedroom townhomes located at the Hingham Shipyard. The Hewitts Landing community provides a special location with immediate access to a waterfront retail village with a movie theater, public greens and a historic harbor walk. The historic

downtown with its charming shops and renowned bistros is only a half-mile away providing a perfect backdrop to this fabulous community. In addition to its prime waterfront location, Hewitts Landing offers a number of amenities not included at Black Rock, including an on-site swimming pool, clubhouse, and fitness center. (Black Rock does have these features at the privately owned and operated Black Rock Country Club, but homeowners must purchase private memberships not included in the sale of their home).

Their prices range from the mid \$500,000s to over \$1.2M, and the sizes range from 2,200 to 2,600 square feet. Each home offers appointments similar to those at Black Rock -- stylish and elegant upgraded features including crown molding, hardwood floors, gas fireplaces, stainless steel appliances, luxurious master-suites and two-car attached garages.

While similar in size and price to the homes at Black Rock, Northland Residential felt that this community would not be direct competition as they saw townhome buyers as very different from free-standing golf course home buyers.

Lennar Corporation plans a total of 150 townhomes at this location. These units will range in size from 2,200 to 2,800 square feet. Shelved in 2008, Phase I, consisting of 21 townhomes, is now underway. Pricing for these 2-3 level townhomes ranges from \$500,000-just under \$1,000,000. Those with direct water views command the higher pricing.

##### **5. Product and Pricing Strategy**

Northland was of the opinion that there is significant inherent value in the fact that they would be assuming control after the initial community “ramp up.” The branding, the fact that the amenities package is already in place, the level of infrastructure installed throughout, the exceptional location and the fact that this is the only community of its kind constructed in the past few decades within 20 miles of Boston have catapulted this acquisition to the forefront of the pack of increasingly available and attractive opportunities.

Market Rate Unit Type Breakdown:	Total #	Market Rate Units	Sq. Ft. (living area)	Sq. Ft. (Gross)	Bldg. Cost GSF
Golf Front Home Sites/Residences - A	12	12	2,600	31,200	\$175
Golf Front Home Sites/Residences - B	13	13	2,200	28,600	\$175
Non Golf Front Home Sites/Residences	27	26	2,000	54,000	\$150
Other product type	0	0	0	0	\$0

Homes directly adjacent to the golf course command a \$1,500 lot premium. Pricing was to adjust +/- 10% based on market conditions and absorption rates as the community reaches predetermined phase markers.

Furthermore, with the exception of the two completed units, the two units nearly completed and the five units at foundation (at the time of Northland's acquisition), the balance of the remaining lots afford great flexibility of design. Even more intriguing is that many offer some of the finest views in the entire community and are sure to garner significant lot premiums. Finally, Northland's experience with a similarly priced product (and this type of buyer) dictates that considerable opportunity exists to capitalize on the options/upgrades to expand profit margins significantly.

The proforma is built on a conservative model. This rationale will insure that The Residences at Black Rock will be well-positioned to meet the immediate challenges of the current marketplace from a standpoint of product type, price range and sales absorption. Looking forward, they expect this development to recapture a superior market position and to out-perform residential market benchmarks.

As Northland Residential 'inherited' the home styles from what was being built by the previous developer(s), they had little creative license to choose new product. However, the existing floor plans were thoroughly reviewed, and many modifications were made to better suit the target market. The craftsman/woody style exteriors of the homes mesh so well with the rustic landscaping that Northland Residential felt no need to alter the design.

Homes were priced according to a similar pricing structure to what had been successful within the community in the past, ranging from high \$900s to approximately \$1.2M.

Plan	Sq. Ft.	# to be built	Sales Price	\$/Sq. ft.	Total Value	Anticipated Sales Revenue
Addington	3,653	11	\$1,295,000	\$150	\$6,027,450	\$14,245,000
Belvedere	2,398	9	\$1,150,000	\$150	\$3,237,300	\$10,350,000
Creston	3,716	12	\$1,050,000	\$150	\$6,688,800	\$12,600,000
Dartmouth	3,276	7	\$1,350,000	\$150	\$3,439,800	\$9,450,000
Eaton	2,787	8	\$1,250,000	\$150	\$3,344,400	\$10,000,000
Glenwood	2,490	5	\$995,000	\$150	\$1,867,500	\$4,975,000

### ***Absorption***

#### Historic

Year	2003	2004	2005	2006	2007	2008	2009
# of homes sold	14	26	23	12	0	8	1

#### Projected

	Duration	2010	2011	2012	2013	2014
"Base Case" Model	4 Years	7	12	16	17	
"Downside" Model	5 Years	6	10	12	12	12
"Upside" Model	4 Years +	7	12	16	17	

- Increased sales revenue of 3.5% in years 2-4
- Option revenue as % of sales = 10% with 20% profit margin
- Increase in construction costs of 3.0% per annum

### ***Unique Selling Propositions***

The Residences at Black Rock enjoy a unique selling proposition simply by being the only gated community nestled along a championship golf course within a 20-mile

radius of Boston. It is essentially its own little oasis, with the meandering Plymouth River on two sides and encased within an overall protected environment.

Because Black Rock is a serene, gated community nestled along a golf course, it sees a very different buyer from someone interested in a multi-use community such as Hewitts Landing. The community's next-closest competitor features attached townhomes, which again, attracts a much different buyer from someone seeking a free-standing golf course home.

Northland Residential is an ENERGY STAR partner, and all homes within Black Rock are built to meet or exceed the latest Energy Star standards. There are 156 ENERGY STAR builders in the Massachusetts area of which only 9 are 100% ENERGY STAR committed on all projects. Northland Residential is one of the nine and is the oldest in the program with a start date of 2004. ENERGY STAR homes provide tremendous benefits to the homeowner in terms of reduced energy costs, lower maintenance fees, and improved indoor air quality and comfort.

Black Rock's strongest distinctive feature is the flexibility of the builder to create a custom home for each homeowner (a characteristic not often found within condominium communities). Northland Residential is willing to do just about anything within the footprint of the home. This builder philosophy offers much more to the buyer than simple personalization. The builder is willing to customize the floor plan, add rooms and features as applicable, and in some cases even to re-situate the home's intended orientation on its lot based on buyer preference.

## **6. Marketing Plan and Conditions**

### **Initial Efforts**

The onsite marketing and sales staff at The Residences at Black Rock executed the community's "re-launch" in a carefully controlled format throughout the first half of 2010. In concert with advertising and promotional efforts, heavy emphasis was placed on re-gaining the confidence of the homeowners, the townspeople and brokerage community. Vesting these parties in the firm's new vision, their strategy and their

remarkable corporate legacy will be important, as Northland considered the allegiance of these parties to be instrumental in driving a positive “word of mouth” campaign.

Concurrently, Northland had the benefit of “mining” the formidable existing database, which has been cultivated during the course of the previous few years. This database was contacted to ascertain their ongoing interest in the property, as well as their previous impressions of Black Rock and their decision “trigger points.” Northland used these endeavors to provide them with invaluable information to fine-tune positioning and packaging of the new product.

### **Advertising**

Advertising undertook a combination of a broad-based regional approach with a focused local campaign to specifically targeted communities. The broad-based approach utilized publications such as the following:

- The Boston Globe (display and classified- full run)
- Boston Magazine
- Boston Symphony Program
- Boston Symphony Orchestra Playbills
- The Wall Street Journal
- The New York Times

The focused local marketing approach utilized publications such as:

- The Boston Globe (zoned display ads)
- The Patriot Ledger (display and classified)
- The Mariner Newspapers (Hingham, Cohasset, Duxbury, Scituate, Marshfield)
- The Boston Herald (local editions)
- The South Shore Music Circus ( programs)

Other specialty publications were used to supplement. Examples included:

- Boston Business Journal
- Homes of Distinction
- Boston Common Magazine
- Lawyers Weekly

- Golf Digest
- The Robb Report
- Distinctive Homes Magazine

Advertising examples may be found in Appendix 6, Exhibit K.

Heavy emphasis was placed on Internet advertising. Premium listings run in the following venues:

- Boston.com
- Move.com
- Realtor.com
- Luxuryliving.com
- Trulia.com
- New Homes Directory.com

The Black Rock website was entirely revamped and re-messaged. The Residences at Black Rock was also featured on Northland's corporate website. A screen capture of the revised website may be found in Appendix 6, Exhibit L.

Social networks were also utilized. Northland utilized sites such as Facebook, Twitter, and YouTube to foster interest in the Community and to provide updates of current events. Sophisticated analytic programs were employed to track the response to all of the Internet advertising efforts.

#### **Multiple Listing System**

The Residences at Black Rock was listed in the statewide MLS system (MLS Property Information Network, Inc.). Through this venue, third-party data transfers of Black Rock listings were posted on a variety of other national and international websites such as: DistinctiveHomes.com, YahooRealEstate.com, NewYorkTimes.com, Cyberhomes.com, Homefind.com, Trulia.com, etc.

#### **Radio**

Northland developed a series of advertisements to be aired on a South Shore or and/or Boston radio station(s). While radio may not always produce many immediate direct



leads, it does provide instant public awareness on a broader scale and reinforces the branding of this type of property throughout the marketplace.

### **Other Promotional Efforts**

Northland instituted a regular program of communication with the existing database of club members, residents and interested prospects. Examples of newsletters may be found in Appendix 6, Exhibit O.

Northland planned a quarterly series of special events, which illustrated and underscored the advantages of home ownership at Black Rock. These events were targeted to prospects, homeowners and their referrals, as well as the brokerage community. Examples of events can be found in Appendix 6, Exhibit N.

The Project's collateral materials will be revamped and made current, and the signage within the site will be improved.

Northland established an on-site marketing presence at the site. The Visitor Information/Sales Center provided an optimal environment to meet, inform and close prospective buyers. More information about the Sales Center may be found in Section III.B.2.

### **Brokerage**

Northland Residential acted as the Project's exclusive marketing entity and established a site-based merchandised sale center, staffed by a full-time sales professional. Initially, the on-site sales center was located in one of the existing "completed" residences while a new sales center was located, designed and constructed. Onsite marketing staff; will work cooperatively with the brokerage firms throughout the area on a "co-brokerage" arrangement.

Historically Northland had found that by implementing four to six broker functions each year, they could keep the brokers sufficiently apprised and focused on their product. A consistent program of email blasts, direct mail and MLS updates were

utilized to make certain that the local brokerage firms knew the status of the pricing and availability of the remaining inventory.

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### **III. IMPLEMENTATION**

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#### **A. Advertising, Promotion and Public Relations**

##### **1. Advertising and Promotion**

Early advertising efforts focused on large-splash advertisements in the Commonwealth's highest read newspaper, The Boston Globe. Ads were bannered with "new developer, new pricing" messages to inform the public that the development was resuming construction and that a new builder was taking over. Advertising was also placed in well-read weekly regional community newspapers so as to inform the surrounding towns about the rebirth of this landmark community. Poster advertisements were placed at all commuter rail and boat locations, and at kiosks at the popular high-end Derby Street Shoppes, an outdoor shopping plaza well known in Hingham. Full-page advertisements were also placed in specific magazines which would appeal to the target market, including Boston Magazine, which is a popular publication within Boston and throughout Massachusetts.

Northland established a strong online presence for Black Rock – immediately the website was updated with a fresh look and new photography. Enhanced listings were purchased for the highest-searched websites in the area by prospective home buyers, including Boston.com, Move.com, Realtor.com, newhomesdirectory.com, and others. Banner advertisements were purchased on these and other third-party websites in order to drive traffic to the community website. A strong social media presence was also established, and pages were created for Facebook, Twitter, Pinterest, YouTube, Flickr, and many others. Google Analytics helped the firm track which of these efforts were the most successful, allowing for strategic placement of valuable marketing dollars.

Northland held a series of broker events, inviting local real estate agencies to bring their clients back to the community to see what was new. Targeted email and direct mail lists were purchased and campaigns began early in the Spring market.

Welcome events were held to introduce Northland to the existing homeowner base, outline plans for the continued development of their beloved community, and invite any referrals that they might be aware of. In later years, promotions for the homeowners included Northland Residential's assumption of 6-months worth of condominium fees for any resident who referred a prospect to the Sales Center (and that prospect subsequently purchased a home from Northland Residential).

Historically, Northland Residential has not seen great success utilizing television and radio advertisements, so these media were not explored for Black Rock.

## **2. Public Relations**

A consultant firm was hired to assist with community outreach and public relations. Throughout the first few months of ownership, Northland Residential prepared a series of press releases, which were distributed to local print, radio, internet, and TV media outlets. Topic headlines included:

- Premier Firm Acquires "Hingham's Best Kept Secret"
- The Residences at Black Rock Re-Established as Hingham's Premier Golf Course Community
- Northland residential announces first sale of a "Northland Energy Star" home since acquisition of the project: The Residences at Black Rock in Historic Hingham, MA
- Northland even capitalized on the privately owned golf course's successes by sending out a press release, "Black Rock Golf Course Ranks Top 3 in New England by Golf Week Magazine" (See Appendix 6, Exhibit M.)

Two homes within the community were featured at the area's first annual Parade of Homes (conducted by the Builders Association of Greater Boston).

**3. Collateral Materials**

Northland’s in-house designer created a new sales brochure with loose-leaf inserts which could be removed and changed as needed throughout the life of the project. Inserts included a welcome letter, floor plans, site plans, distinctive design features, community information, explanation of homeowner association fees, and price sheets. Additional collateral materials created for the community included sell sheets for each spec home, small direct-mail brochures (in lieu of distributing the larger brochure to non-serious prospects), visitor information cards, etc. (See Appendix 5, Exhibits I and J.)

With the majority of home buyers researching new homes online, it was anticipated that the greatest number of prospects (50%) would reach the community in that fashion.

**B. Sales**

**1. Sales Projections**

As previously stated, sales projections were outlined along three distinct models:

	Duration	2010	2011	2012	2013	2014
“Base Case” Model	4 Years	7	12	16	17	
“Downside” Model	5 Years	6	10	12	12	12
“Upside” Model	4 Years +	7	12	16	17	

With most economists at the time predicting that the recession will bottom out in the second half of 2009 or early 2010 and signs emerging of price “leveling” throughout the Greater Boston marketplace, Northland was optimistic that they could effectively re-package and re-position the product in the first year, to build the momentum necessary to fuel a sellout in four to five year timeframe.

The genesis of the conservative approach to sales staffing was to effect an expedient return on investment to financiers. Therefore, the firm chose a lean methodology in terms of sales staffing and a sales environment. In lieu of investing the significant time and resources which would be necessary to create a more permanent sales environment, the firm opted for to construct sales trailer which could be relocated if necessary in future phases within the development.

## **2. Sales Environment**

Early on in the acquisition, Northland felt it was important to have any existing inventory homes and under-construction be put up for sale rather than being occupied as a Model Home and Sales Center. Therefore, the team opted to rent a trailer out of which they would perform sales operations. Understanding that the exclusivity of the community warranted a more high-end Sales Center than the image a trailer projected, the team outfitted the exterior siding and trim of the trailer to mimic the exterior construction of the homes. A large welcoming front deck was constructed to create a sense of permanence. The interior of the sales center was enhanced with extensive custom molding and trim work, a working fireplace, and luxurious furnishings chosen by a well known local interior design firm. Floor plans, site plans, and other community information were showcased in high quality frames, effectively becoming artwork which blended seamlessly into the fine furnishings of the Sales Center. (See Appendix 2, Exhibit D.)

A private office for the sales director allows for confidential meetings with buyers. Also within the Sales Center is a private meeting room for Selections. The room consists of a round conference table with ample comfortable chairs for clients and their designers to choose from the wide variety of selections available. Inspiration boards of previously designed homes adorn the walls, in addition to samples of trim styles, cabinet faces, paint colors, faucet selections, etc.

A large parking lot was paved adjacent to the Sales Center, allowing for dozens of cars in the event of a party or gathering at the trailer. One full-time on-site sales agent was brought on board, and a full-time home design specialist was retained from the previous developer. Also a salesperson herself, the home design specialist covers the

sales center on the two days per week which the sales person is off. Therefore, the office is manned seven days per week, during business hours of 10-5.

One spec home which Northland 'inherited' upon acquisition was decorated in an eclectic artistic manner not representative of the target market. Therefore, Northland redesigned the interior of the home, and invited a well known local interior designer to stage the home utilizing items from their furniture showroom. The transformation was remarkable, and the home sold shortly after the redesign. (See Appendix 2, Exhibit D). Because absorption rates and cash flow were designed the way they were, Northland has never had a fully merchandised model on site. The firm has staged (including custom paint and furniture) various homes throughout the build-out of the community, and has either returned the furnishings to the designer upon the sale of the home, or has moved said furnishings to a new staged model.

Northland Residential chose not to construct a fully merchandised model home in the community, opting to utilize temporary furnishings to stage various spec homes as possible throughout the build-out. While the community may have been better served to have a fully merchandized model home, the firm did outfit their Sales Center and spec homes with many of the finest details available to buyers, so as to showcase the level of possibilities available to them in terms of personalization.

### **3. Sales Staff**

One full-time on-site sales agent was hired, and a full-time home design specialist was retained from the previous developer. Also a salesperson herself, the home design specialist covers the sales center on the two days per week which the sales person is off. Therefore, the office is manned seven days per week, during business hours of 10-5.

Sales directors receive a base salary of \$50,000 per annum plus 4.75% commission for each sale. Co-brokered compensation: 2.5%. No sales incentives were planned, however co-broke incentives are put in place periodically.

While Northland utilized only one full-time sales associate and a home design specialist to cover off-days, Northland Residential firmly believes that all company personnel are

salespeople. They encourage a team approach to sales, and invite all employees to introduce (aka “sell”) the community whenever possible. All employees are given business-card sized marketing cards which feature high-resolution photography of the community along with Sales Center contact information. Staff are encouraged to share these cards with anyone they feel would be interested in the community, or to place these cards at any location reaching the target demographic.

Northland Residential’s business model includes full-time on-site sales staff employed directly by the firm, not with outside brokerage agencies. However, co-broke compensation is in place, and Northland encourages this practice. The Sales and Marketing team is supervised by the Vice President of Sales and Marketing.

Potential sales personnel were carefully screened and interviewed, and the full-time sales person was chosen based on her experience with the target clientele. She was thoroughly trained on Northland’s sales model and all relevant computer systems necessary for her role. Under the guidance of Northland’s on-site Paralegal/Sales Operations Manager, all sales people are responsible for completing all paperwork relevant to a sale, from the initial Statement of Reservation to the Purchase and Sale Agreement, to the final contract.

Northland Residential utilizes a company-wide software program “IHMS” (Integrated Home Management Software) which spans the breadth of the entire sales/construction/accounting process. Through this system the Vice President of Sales is able to review all information the sales person documents about every prospect. Bi-annual sales team meetings include training on some facet of the sales process. Past meetings have included conflict resolution, understanding buyer personality types and behaviors, and improving negotiation techniques.

### **C. Financing**

Northland Residential maintains a strong relationship with their preferred lender, Wells Fargo Home Mortgage. Interested buyers are introduced to the Wells Fargo representative, and then Northland is removed from the relationship. With the affluent buyer base at Black Rock, many buyers are cash buyers and/or have personal significant means of financing without taking advantage of the Northland/Wells Fargo relationship.

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#### **IV. INITIAL RESULTS**

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Throughout the course of the first 90 days following Northland's acquisition, the firm worked diligently to formulate an initial sales and marketing strategy for Black Rock, which included efforts to re-introduce Black Rock to the general public. Interestingly, during that first year, one of the challenges affecting Northland's sales efforts was the resale community "piggy-backing" on the firm's marketing initiatives. Existing residents who had wanted to sell their Black Rock homes but waited through several years of project uncertainty, capitalized on the revitalization of the site and utilized Northland's marketing initiatives to draw interested parties to their listed homes. While Northland was able to secure five sales in that initial year, they believe their marketing efforts also resulted in the generation of seven resales. This initial shadow inventory certainly cannibalized a number of sales in 2010; however, in subsequent years they have experienced much less re-sale activity, allowing prospects to focus more uniquely on new construction offerings.

Sales activity did track below the pace of sales outlined in the project's underwriting. This dynamic required that Northland maintain a strong marketing presence, broaden broker outreach and homeowner referral programs, and carefully cultivate each and every interested buyer. They also remained open to making the necessary nuance price adjustments and option concessions to effect contracts. The decreased sales pace also placed a strain on the project's cash liquidity, which the firm monitored carefully to ensure the project's health.

With no access to visitor traffic information during the tenure of the two previous developers, Northland focused its efforts on carefully monitoring traffic under their development. Visitor traffic steadily increased, from 6 visitors in Q1 of 2010 to more than 60 in Q2.

The Aberdeen style home offered the greatest amount of flexibility to a buyer, though it was noted that many prospects expressed similar concerns about the home's layout. Northland took the opportunity to redesign the home based upon buyer preferences, and named the new home style the Addington. This home style continues to be one of the most popular in the community.



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## V. CORRECTIVE PROCESS

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Northland has made a number of significant changes from the initial sales and marketing plan.

- A significant and unexpected result of working with this target market was that many buyers, despite their affluence, assets and portfolios, either needed or felt compelled to sell their departure homes before committing to purchase at Black Rock. For some time, the upper-end of the market had enjoyed some protection from the economic downfalls experienced elsewhere. Whether due to diminished investments and savings or simply a decreased consumer confidence, buyers felt uneasy about entering into million-dollar commitments without the security of home sale contingencies included in the contracts. Therefore, Northland was compelled to accept these contingencies more than they had anticipated.
- As mentioned above, home styles and floor plans were redesigned based upon buyer preferences.
- Additionally, it was discovered that there was a need to “brand” specific areas within the large community. Therefore, four distinct “neighborhoods” were created (The Highlands, The Fairways, The Pine Glen, and The Southfields), and were branded accordingly. This separation allowed for natural breaks for phasing opportunities, as well as to differentiate the community’s areas in the minds of the buyers. Maps depicting the four neighborhoods may be found in Appendix 2, Exhibit B.
- Later, it was found the name “Southfields” did not resonate well with this target market. Since the neighborhood was already partially sold, Northland chose to “shrink” the area by “moving” the majority of to-be-built homes to instead fall under the adjacent neighborhood, The Fairways.
- As Northland’s construction within the community progressed, and the firm became more familiar with the topography and vistas available within Black Rock, many home sites were adjusted to capitalize upon the home’s views, to allow better spacing within each neighborhood, and to provide optimal exclusive use areas for residents. In fact, a number of home sites were relocated into other neighborhoods which could accommodate the addition. This allowed for better spacing among the homes, and allowed the firm to best situate each home on its lot.
- Northland’s initial plans for the community included six home styles, each of which was pre-determined based upon lot size, position, situation, and the overall unit mix, as well as financial considerations and projections outlined in the proforma. However, it was found that this market

demanded a greater level of customization and wanted more of a choice when selecting a home. Therefore, Northland identified a preferred home for each lot, along with two or three alternate home styles which the lot could accommodate. This change resonated well with the buyer base, as it allowed them a purchase closer to that of a custom home, though within a condominium community.

- Because the sales and marketing team closely monitors traffic origins and behaviors, it was determined that fewer advertising dollars need be spent in radio and secondary publications. Northland shifted those advertising dollars into the venues which had proven to produce the greatest amount of qualified, interested prospects. These areas included the Boston Globe weekly newspaper, and the weekly local community newspaper. In addition, an even greater emphasis was placed upon Internet advertising and one-on-one broker relations.

Some of the initial scope of work outlined for the community has proven to be spot-on, however. The target market and sub-markets have shown to be accurately outlined, and marketing efforts to reach this population continue. In addition, the initial pricing which was outlined appears to be correct for this community, and little price adjustment has been necessary. One positive alteration of note is due to the firm's realization that buyers were seeking a greater amount of customization within their homes, and were thusly investing a significant amount of additional dollars into enhancements and personal selections. Recognizing that this target buyer base wants to exercise a greater amount of design control over their new home, Northland entered a partnership with a well-known local kitchen and bath design firm, and all home sales now include design time with this firm so that each home is truly unique to each buyer's lifestyle.

As a result of the realization that this buyer base was requiring a greater number of home sale contingencies than anticipated, Northland established a relationship with a well respected national brokerage firm to create a seller-assistance program, which included departure home market and price evaluation, home staging opportunities, relocation assistance, and much more. Northland felt a greater level of comfort in providing home sale contingencies, knowing that their brokerage partner was involved in assisting the sale of the departure homes.

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## **VI. COMPLETION OF THE DEVELOPMENT**

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Over the course of the three years since acquiring the rights to Black Rock, Northland has experienced several things. First and foremost, prospects hesitancy in committing to the Black Rock community has waned considerably since the first six months. With an awareness of the failure of the prior development entities, early prospects took a ‘wait and see’ attitude relative to Northland’s stewardship, with a need to see demonstrated market success before full commitment. Secondly, as Northland has seen across every project in their portfolio, each buyer must sell their departure home before making a firm purchase commitment. As a result, most of today’s sales contracts feature home sale contingencies, as buyers are simply not willing or able to engage until they are absolutely certain that their departure home is firmly under agreement. These dynamics result in the need to have a number of what Northland refers to as ‘quick occupancy homes’ available at any given time. With the exception of one custom-built home, which the firm delivered in 2011, sales have had a 60 to 100-day conversion period, requiring the construction team to be prepared to spring into action to complete the home immediately upon execution of a binding contract.

Due to a slower than anticipated first year, Northland’s build-out of Black Rock is most likely to follow the “Downside” Model outlined in section II.B.5, with a completion date in 2014 or perhaps 2015.

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## **IX. EVALUATION AND CONCLUSIONS**

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Much of the initial research done on this project was in terms of investor capitalization and purchase-ability of the project. In my opinion, not enough market research was done in terms of sale-ability of the homes if brought to market. Because Black Rock is such a high-profile community, the firm knew that it would be a great feather in their cap to turn it into a success. The national economy and the state of the local real estate market should have been evaluated more closely to determine if the firm could in fact be successful in this venture.

The firm may have been better served in conducting more in-depth analysis of what additional underlying factors contributed to two previous developers’ lapse in performance in this community.

Little documentation was readily available regarding in-depth calculation of Northland's desired market share, leading me to believe not enough attention was placed into determining if there was enough of a need in the market place for homes priced at \$1M+.

Northland did not capitalize upon an obvious opportunity, in that they had many dozens of existing residents from which to garner valuable information. For most new communities, developers do the best they can to identify target markets based upon thorough market research, and draw conclusions and assumptions about what that research shows. Northland had a number of existing residents at their fingertips, from whom they could have drawn more logical conclusions about potential buyer psychographics and demographics.

An inconsistent and poorly mapped out advertising strategy meant that the firm continually had to revamp their advertising efforts. Had better attention been placed upon the 'big picture,' a more well thought out marketing and advertising strategy could have resulted in an increased sales pace.

A greater deal of attention should have been placed in finessing the relationship with and cooperation of the owner of the adjacent, privately owned golf course. A strong partnership between the two entities would have served both parties well. Because the golf course owner felt the gated front entrance to the community should remain private and inconspicuous, opportunities for visitors to find the site and/or feel welcomed within may have been missed.

Due to Northland's conservative approach to staffing and therefore the limited amount of human resources available, sufficient attention was not given to monitoring ongoing analysis of competitors' activity, market research, economic conditions, and addressing resale competition within the community.

It's quite probable that Northland would have been better served to create a fully merchandised model home which was outfitted according to the taste and lifestyle of the target market. Rather than investing significant dollars into purchasing and refurbishing a trailer in which to house the Sales Center, Northland should have created a well located model home which showcased the construction quality and level of appointments available, thus creating a greater emotional response from potential buyers than even the best trailer could possibly do.

## **Conclusions**

Despite the aforementioned adjustments to Northland's methodologies, the purchase of The Residences at Black Rock was a sound one, and one that will prove to be a success story for the firm. This success may not be without some pains along the way, which might have been avoided had they solicited my input as a MIRM candidate, having received significant education and training on matters which are crucial in the decision to undertake a new development.

**1. Northland Residential Corporation**

Exhibit A. Northland Residential Project Descriptions and Investment Overview

Exhibit B. Builder/Architect Magazine featuring Northland Residential Corporation

**2. The Residences at Black Rock**

Exhibit C. Site Maps

Exhibit D. Photography

**3. Market Analysis**

Exhibit E. Market Research

Exhibit F. Competitive Analysis

**4. Financials**

Exhibit G. Black Rock Project Proforma

Exhibit H. Marketing Budget

**5. Collateral**

Exhibit I. Project Brochure

Exhibit J. Collateral Examples

**6. Advertising and Public Relations**

Exhibit K. Examples of Advertising Efforts

Exhibit L. Website Screen Capture

Exhibit M. Press Releases

Exhibit N. Event Examples

Exhibit O. Newsletter Examples