A History of Innovation in Homebuilding
Why Did Housing Need Innovation?
Why Did Housing Need Innovation?

U.S. construction is roughly a ~$950B market in 2014, split roughly in thirds between residential, commercial, and governmental segments.

<table>
<thead>
<tr>
<th>Segment</th>
<th>Spend (in billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
<td>360</td>
</tr>
<tr>
<td>Commercial</td>
<td>320</td>
</tr>
<tr>
<td>Government</td>
<td>266</td>
</tr>
</tbody>
</table>

**US Construction Spend Breakdown**
Total: $946 Billion, US Census Feb. 2014 SAAR
Single family residential construction is around 900,000 starts -- a $250B market in North America (U.S. & Canada), in 2014.

Source: US Census 2012, new single family residential starts and average new single family residential sale price; Canadian Mortgage & Housing Corp. Single Detached Starts and avg. MLS prices.
Why Did Housing Need Innovation?

The single family residential market is still recovering, and has years to catch up
Of new homes built each year, approximately a third are homes built by owner-contractors, and two thirds are built by developers.

Of the developers, big developers building hundreds of homes a year are a relatively small fraction, at ~20%.
For the vast majority of the market – individuals and smaller builder/developers – building is challenging, with:

- Complicated code issues
- Constantly evolving specification changes
- Relatively few integrated technology options
- Challenging permit protocols in every state & locality
- And big capital exposure!

This is difficult if you’re a modest-scale developer. If you’re a small builder or home owner, this is even harder.
Moreover, trends in housing have added challenges for both builders and home owners. From the mid-1600s through the 1950s, American’s home sizes paralleled Europeans’ of the same wealth. Then a fracture: in the 1970s U.S. home sizes skyrocketed.
Why Did Housing Need Innovation?

Energy consumption and costs per person simultaneously went up

Source: NPR
Why Did Housing Need Innovation?

Costs were rising, with mortgage debt and consumer credit both up dramatically in the same time frame.
Why Did Housing Need Innovation?

With more spending on energy than property taxes

Average U.S. Homeowner Costs
2007-2008

Energy¹: $2,340 (46%)
Property Tax²: $1,897 (37%)
Homeowners insurance³: $822 (16%)

Source: IMT.org
And a poor health footprint. Scientists found that indoor toxic hazards typically posed far greater risks than outdoor exposures.
Why Did Housing Need Innovation?

The result is deep frustration with the home building experience

- Design process is expensive and time consuming, with pricing often disconnected from design
- Managing construction is economically risky, with complex supply chain and labor issues and unpredictable government behavior
- Overruns on cost and schedule are common
- Difficult and expensive to research specs that are healthy and “green”
- Extremely fractured market with little technology integration

For those with a large balance sheet it is difficult, but for ordinary developers and home buyers, this is incredibly challenging
What Kind of Innovation is Needed?
What Kind of Innovation is Needed?

Technology that empowers homeowners and modest scale developers for:

1) A unique conceptual design experience
   • Enjoy the conceptual design process, at little or no cost
   • Including the opportunity to walk through the house designs in 3-D

2) The ability to make project-based cost tradeoffs, online, in 3-D, and for free
   • Get a comprehensive view of the cost of building a home
   • With transparent fixed prices
Technology that empowers homeowners and modest scale developers for:

3) Minimizing site construction and its attendant quality, schedule and convenience challenges

• Buy a home, and have it delivered nationwide
• Where a developer in NY could make decisions for a project in Sun Valley, and a family in San Francisco could remotely manage their vacation home design & construction, in Martha’s Vineyard

4) Homes that are healthier to live in and better for the natural world

5) And homes where the quality is high, the economic value is high, and the potential for appreciation, is strong.
What We Are Doing At Blu
Blu uses novel technology tools and building science to build beautiful, premium prefab homes that reduce risk and exposure for individuals and developers with modest balance sheets.

1. Proprietary Information Technology
   Offering a personalized design experience to home buyers & small developers.

2. Unique Building Science
   Proprietary building science technology to fundamentally change the quality, price and schedule for a new home.

3. Integrated Business Model
   Powerful, branded one-stop approach provides platform for long-term high margin growth across North America, then international markets.
Proprietary 3-D Configurator allows customers to visualize and personalize their home in 3-D for free, with real-time fixed pricing.
Unique building science using proprietary steel framing technology that is greener and stronger than stick-built homes

- Stronger and safer in hurricane, high seismic, high snow zones, coastal zones and other challenging environments
- Improved green performance and economics through decreased material use and automation
What We Are Doing At Blu

Proprietary steel framing drives uniquely spacious, healthy design...

- High, light-filled ceilings, spacious widths, natural ventilation, more windows
- Not subject to historical prefab constraints: 12-16’ high ceilings and 21’ widths
And unique steel folding technology for the ability to ship nationwide from a single facility

- Retired Naval Shipyard on Mare Island, in Northern California
- 70+ year old stunning, 250,000 sq. ft. industrial facility
- Climate controlled
- Proprietary steel construction
- Reduced waste through automation, precision tools, and recycling
- Less impact on the site
- Reduced carbon footprint
What We Are Doing At Blu
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This allows us to deliver **premium prefab homes** to individuals and developers, on a remarkably faster, shorter, and simpler time frame.
Where We Are Today
Blu Homes, Inc. is the leading provider of premium prefab homes in North America. We have raised over $150M and have ~300 employees.
Where We Are Today

1B media impressions; 2.5M+ annual unique visitors to the website; 60,000+ individuals who have said they would like a Blu home; thousands of users in the last year of the 3-D configurator.
Have built in 20+ states across the U.S., and just shipped first home to Canada, this week
Where We Are Today

And finding green homes have higher appreciation – and Blu homes, in particular, have had high resale values

- Built for $1.1M, appraised at $1.85M, sold at $1.9M (2012)
- Dwelling (Glidehouse) component valued at $325/sqft

Source: Blu Homes Appraisal Records
Built & designed over 200 homes, since our founding
Where We Are Today

Have delivered homes in upstate New York
Where We Are Today

East Coast shoreline
Where We Are Today

Harsh desert climates
Mountains of Colorado
Where We Are Today

Urban infill locations
Homes all over California including wine country, Silicon Valley, ski country and Southern California..
Where We Are Today

And even Frank Lloyd Wright’s Grandson at Taliesin, in Wisconsin
Blu offers price points from $155K to $665K, across a wide variety of products and product combinations.

<table>
<thead>
<tr>
<th>Bedrooms</th>
<th>Origin 0-2</th>
<th>Element 2-3</th>
<th>Breeze Aire 2-3</th>
<th>Balance Metro 3</th>
<th>Lofthouse 3-4</th>
<th>Glidehouse 2-3</th>
<th>Breezehouse 3-4</th>
<th>Sidebreeze 3-4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price 000’s</td>
<td>$155+</td>
<td>$285+</td>
<td>$350+</td>
<td>$435+</td>
<td>$446+</td>
<td>$465+</td>
<td>$635+</td>
<td>$665+</td>
</tr>
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</table>
Breezehouse
All products have increasing green features

Blu homes are becoming increasingly healthful and environmental performance is continuing to improve

- Veneer cabinets with recycled wood cores
- Reduced steel framing
- Motion sense kitchen faucets
- Energy efficient CFL and LED lighting options
- Rigid foam provides a tight air seal and radiant barrier
- Andersen windows and doors provide abundant natural light and contain recycled content
- Cradle to Cradle certified engineered hardwood with 50 year warranty
- Oriented for passive solar siting
- Factory-built home ensures quality and a controlled environment that keeps out moisture and mold
- Low flow fixtures for water efficiency
- High efficiency forced air system with zoned heating and cooling, air filtration, humidification, and iPad enabled thermostat
- Motion sense kitchen faucets
We integrate the latest in high performance features for convenience and comfort:

- iPad enabled smart thermostat
- CFL and LED lighting*
- Level 2 electric car plug-ins with solar integration*
- Nest Protect smoke detector*
- Cradle to Cradle certified engineered hardwood flooring
- Andersen windows and doors - recycled content and superior insulation
- Low flow fixtures for water efficiency
- Keyless locks*
- Wireless sound system*
- Motion sense, hands-free kitchen faucet
Several Products Designed for Infill Lots

2014 Sidebreeze designed to fit on a 50’ wide lot with 5’ setbacks
Green homes also have higher resale value – and Blu homes, in particular!

- Built for $1.1M, appraised at $1.85M, sold at $1.9M (2012)
- Dwelling (Glidehouse) component valued at $325/sqft
Lower operating & maintenance costs

Testing & seeing 50%+ lower operating costs than average homes, and high quality, 25-50-year warranted materials are designed to drop ongoing maintenance costs.

Blu energy bills are usually half the cost, or less, of traditional home

1 Company Estimates for annual end-use energy costs
Blu’s database of 60,000+ leads allows developers to tap into a large & growing buyer base of clients that want this kind of innovative home building process.

SOURCE: Company estimates based on lead generation analyses
Built for Tim Wright and his wife

IN 2012, A BLU BALANCE WAS BUILT ON PRAIRIE LAND NEXT TO FRANK LLOYD WRIGHT’S TALIESIN EAST

“The Balance astonished us... the amplitude of the space, the way you are able to breathe in this room. We could not be happier with the result. As the philosopher Lao-Tze said 'The reality of the building lies not in the roof and walls, but in the space within contained.'” — Owner

Hear more about this Blu home and the prairie restoration project, at bluhomes.com/dwell

$2,500 Monthly payment*

50% less energy**

16’ soaring ceilings

1/2 the time of a custom home*