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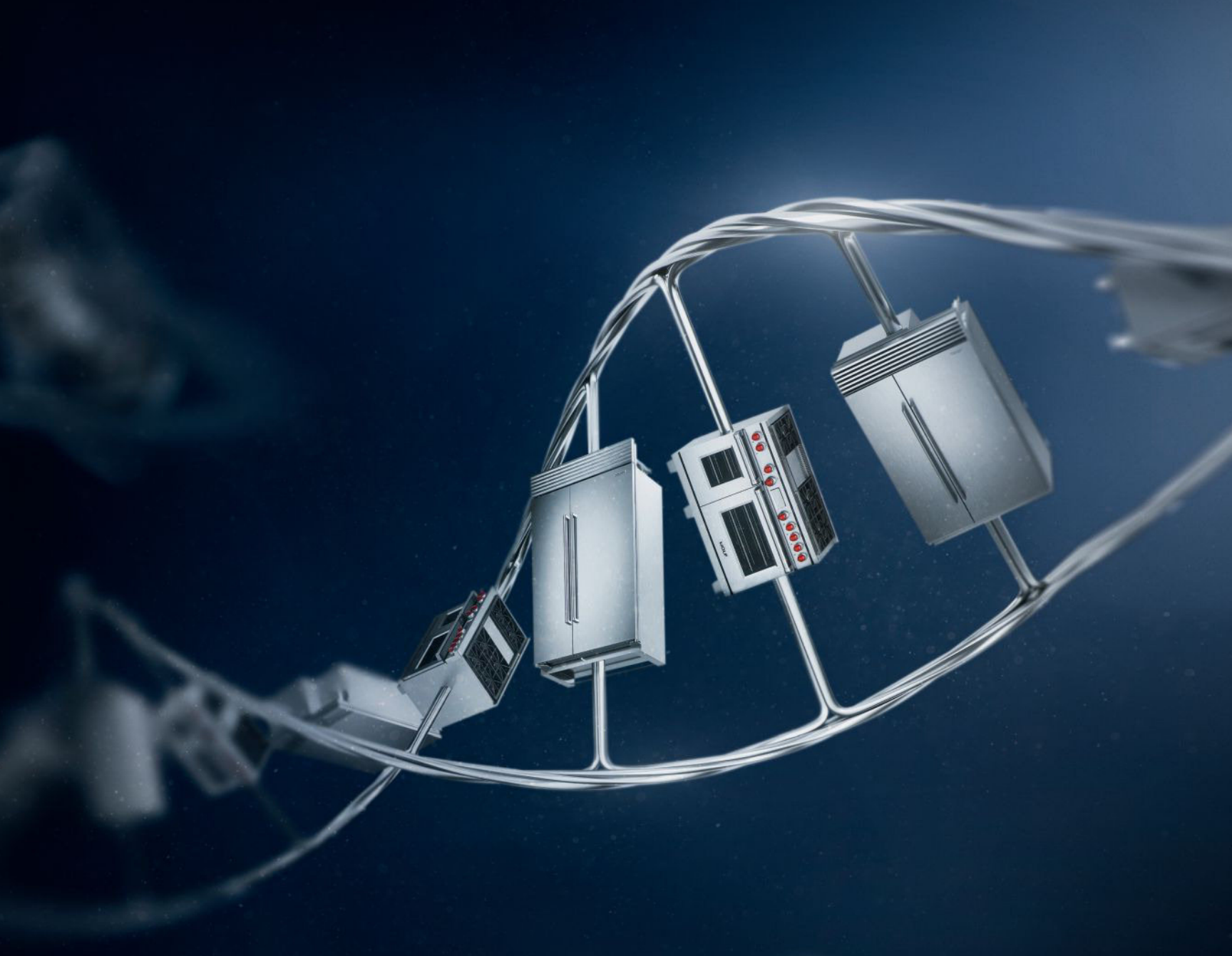
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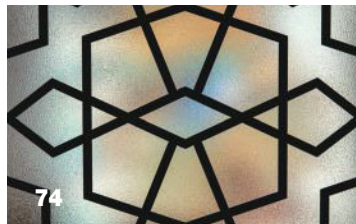


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PHOTO: KEN HAYDEN PHOTOGRAPHY

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Bill Pulte: A Housing Giant

A gentleman. A family man. Kind, generous, thoughtful. Unassuming and gracious. An anonymous philanthropist. A great businessman. A legend. These are just a few of the many descriptions penned by people offering condolences on the death of Bill Pulte, people who knew him well during his more than 65 years in home building. All are accurate, but one is missing: innovator.

Starting out as a carpenter while still in high school, Pulte built his first home, a five-room bungalow, near the Detroit City Airport, when he was just 18, with the help of five friends. The house sold for \$10,000 and he never looked back. He built his first subdivision eight years later in 1959. In the '60s, he started building farther afield, in Chicago, Washington, D.C., and Atlanta.

In 1969, Pulte Homes became one of the first home building companies to become publicly owned, and by 1995 it had become the largest home builder in the country. Newcomers to the industry who view Pulte Homes as a company that's been around a long time, a steady, perhaps even sedate, firm building middle-of-the-road type homes, may be surprised to learn just how innovative Bill Pulte's company could be.

Going public allowed Pulte to extend its reach geographically and greatly diversify its product offerings. The company was now able to build low-cost projects for the FHA and VA markets, as well as medium-priced and high-priced homes purchased with conventional mortgages. Before long, it was also building townhouses, multifamily projects, and student housing.

In Chicago in the early 1970s, Pulte unveiled the Quadrominium, a structure consisting of four two-bedroom homes, each with its own entrance and garage, in a building that looked like a single large luxury home. Pulte was able to sell each individual unit for less than \$20,000, opening up homeownership to more buyers. The name, thank goodness, didn't stick, but the housing model did. In 1972, the company began offering its own financing to homebuyers at competitive mortgage rates.

Shortly after, it added insurance-related and warranty services for its customers.

By the 1980s, Pulte Homes was building in 11 states and sought ways to ensure its growth didn't affect the quality of the homes it was building. In 1980, it made a step in that direction by establishing "Pulte University" for entry-level hires. It took a bigger leap in 1989 with its Pulte Quality Leadership (PQL) program, which empowered everyone who worked on Pulte projects—employees, suppliers, and subcontractors alike—to come up with ways to improve the company's operations. At one point, there were more than 150 teams working on improvements and innovations in construction, land management, sales and marketing, and finance.

The PQL program led the industry in ways to measure and codify how to build and sell homes. Among its achievements: creating a customer satisfaction measurement system; implementing a first-in-the-industry building science program; and developing performance requirements for the 200 or so processes involved in building a house.

The customer satisfaction system gave rise to the creation in the 1990s of descriptive profiles for Pulte's buyers: families, singles, empty nesters, and extended families. Every land purchase and every home design had to have as its focus what Pulte called a targeted consumer group or TCG. Its incredible success in marketing new communities designed for older buyers is what led to the company's \$1.8 billion purchase of Del Webb in 2001.

These are but a few examples of the company's many achievements over the years. A deeper look at its history clearly shows that Bill Pulte's vision for creating communities not only helped define the shape of America's suburbs, but his desire to build quality homes also served to transform the way that homes are built today.

Denise Dersin, Editorial Director
ddersin@sgcmail.com



Bill Pulte built his first house in 1951 and never looked back



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Rebuilding and Resilience

In “Recovering from the Wreckage,” starting on page 58, senior editor John Caulfield examines the recovery efforts of builders in the aftermath of the fires, floods, and storms that have hit northern California, Houston, and Louisiana. As you’ll read, much of the work is being shouldered by local builders that are embracing new ways of doing business in order to help their areas recover. Big builders are involved, too. In Houston, a consortium of four—David Weekley Homes, Trendmaker Homes (a subsidiary of Tri Pointe Group), Taylor Morrison, and Partners in Building—has started BuildAid, a nonprofit through which project management and purchasing services are contributed.

Natural disasters continue to increase in frequency and intensity, but in the story, Caulfield says not to expect those that are rebuilding right now to be pioneers in resilience. While climate change is acknowledged by builders as a real and true threat, cost and time pressures are the obstacles cited by those that do not build beyond what’s mandated by local codes and federal guidelines.

But there are innovators at work on viable solutions. After the devastation of Hurricane Katrina in 2005, designer and professor Marianne Cusato came up with the Katrina Cottages, modest homes that presented flood survivors with alternatives to HUD trailers. More than 3,000 families ended up being helped by the project.

Now, Cusato and builder Craig Savage have teamed up with the developer of the Katrina Cottages to form Cypress Cottage Partners, which works with nonprofits to provide turnkey disaster housing that’s temporary-to-permanent.

“It’s the whole package,” Cusato says, noting that permitting, construction, financing, additional sponsorship, and promotion are included.

Cypress Cottage Partners “picks up where the Katrina Cottages left off,” Cusato says. Homes vary from 400 to 1,200 square feet, depending on project need. Cusato’s homes are hurricane-, water-, fire-, and earthquake-resistant. Designed to get built fast, they’re movable if the owner decides to relocate, as well as net-zero energy ready and equipped to accommodate photovoltaic panels.

Currently, Cypress Cottage Partners is working in the Florida Keys and in Santa Rosa, Calif., sourcing materials as locally as possible. Cusato’s designs will be included, as will those by other manufacturers. (“We don’t need to reinvent the wheel,” she says.) The eventual goal is disaster-relief homes light enough to be assembled by two mid-level skilled trades. “That’s the dream,” Cusato says. “A kit house you can snap together.”



The dream for disaster recovery:
Temporary-to-permanent kit homes
that can be snapped together

Amy Albert, Editor-in-Chief

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By Kate Carsella, Associate Editor

MARKETING

Marketing Modular to Consumers

Modular homes are taking a while to catch on with buyers, but the Modular Home Builders Association (MHBA) wants to boost that effort. The association's Consumer Awareness Program (CAP) is "the only industry-wide, collaborative marketing program for the modular home builder network," says Tom Hardiman, executive director of the Modular Building Institute.

The collaborative marketing approach involves sharing information and resources among builders, manufacturers, consumers, and the MHBA to broaden and increase brand awareness for the home building industry and to educate consumers. Creating a mutually beneficial relationship among buyers, builders, and the MHBA is one of the program's key features.

Builders taking part in CAP have access to the CAP Dashboard, a tool that tracks website traffic, information requests, and page views. Builders are also able to promote their homes via the CAP online gallery and can gain access to updated CAP marketing materials.

Through CAP, the MHBA is focusing on educating homebuyers about the benefits of modular homes. The website provides a variety of resources, including sample floor plans, a tool for finding local modular builders, and an option to request an estimate for a home. In turn, such user activity is later quantified and made accessible to modular builders.

MHBA manufacturer members voluntarily add \$10 per module (box or floor) to builder invoices for each new home. According to Hardiman, this



adds roughly \$40 to \$50 to the total cost of a typical 2,500-square-foot home. The added funds are then allocated to the MHBA for program funding.

To promote transparency, the MHBA includes a separate line item in its board-reviewed financial statements for all CAP revenue and expenses. CAP activities are presented at the MHBA's annual business meeting. Hardiman says that about half of all 28 MHBA member manufacturers currently remit funds to the MHBA each month. Moving forward, the organization is looking for more member engagement.

"Many of our members are regional home builders without large marketing budgets," Hardiman says. "By collaborating with MHBA, builders can use professionally developed messaging, rather than hiring their own PR firm."

DEMOGRAPHICS

Taking Stock of Income Segregation

Income segregation is a growing problem affecting the U.S. housing market. Millennials are leaving urban cores for more affordable areas, and they're also migrating away from rural markets still grappling with post-recession decline.

Tech hubs and the biggest U.S. metros often attract Millennials, with an abundance of employment opportunities and vibrant cultural activities. Yet these

areas are plagued by what urban studies theorist Richard Florida describes as "rising inequality, deepening economic segregation, and increasingly unaffordable housing." These factors contribute to the inability of Millennials who wish to become first-time homebuyers to purchase homes there.

Yet a 2017 housing report from Harvard University's Joint Center for Housing Studies found that growing income segregation isn't limited to urban areas. Data show that the fastest growth of high-poverty neighborhoods in the U.S. was in rural communities. The housing crisis uniquely affected rural markets due to these areas' geographic and economic isolation. Rural residents are facing diminishing populations and property values, lenders withdrawing investment from communities, and growing unit vacancy.

Such changes may cause a reconstruction of urban, suburban, and rural housing markets and economies, redrawing the boundaries of purchasing power and demographic areas. Millennials are increasingly drawn to the edges of suburbia for affordable housing, a strong sense of community, and lifestyle amenities. Demographer and urban planner Dowell Myers concluded in a 2016 report that U.S. cities are currently hitting "peak Millennial," resulting in a new suburban wave. This wave could signal a redrafting of the housing map and local economies, which could in turn include a transformation of homebuyer needs.

The Housing Assistance Council, a national nonprofit, says that rural mortgage markets are sharply affected by high-cost and subprime loans as well. The concentration of high-cost loans may hamper a rural market's ability to grow and sustain value. In addition, employment opportunities, particularly high-paying positions, are harder to come by in rural areas, diminishing a community's appeal and potential for financial stability.

AFFORDABLE HOUSING

Denver Initiative

A new Denver housing initiative is using the supply of unoccupied rental units as an answer to the city's affordability problem. Responding both to vacancy rates and rising rents, the two-year pilot program is being implemented to generate immediate affordable housing options.

The Lower Income Voucher Equity Program, LIVE Denver, is the result of a public-private partnership with local businesses, foundations, and the City of Denver to connect vacant rental units with qualifying working families and individuals. Eligible renters must earn

between 40 to 80 percent of area median income. For individuals, the annual income range is between \$23,520 and \$47,040; for a family of four, it's between \$33,560 and \$67,120. Participants pay 35 percent of gross household income toward rent, and the program fund pays the balance.

Each month, LIVE sets aside 5 percent of the monthly rent payment in an escrow savings account on behalf of the participant, who will receive the saved amount, excluding any unpaid liens, upon exiting the program.

According to RealPage, a property management services company, the national apartment occupancy rate was 95.1 percent at the end of Q4 2017, the same share that existed at the end of Q4 2016. Meanwhile, Denver County

had the highest rental vacancy rate in Colorado: 6.8 percent in Q3 2017. A new report from the Apartment Association of Metro Denver and the Denver Housing Authority attributes this to Denver's stream of new apartments gaining certificates of occupancy in the urban core and new apartment complexes being built. It's anticipated that this trend will continue. Despite the growing overall metro vacancy share, Denver rents didn't decline.

DESIGN

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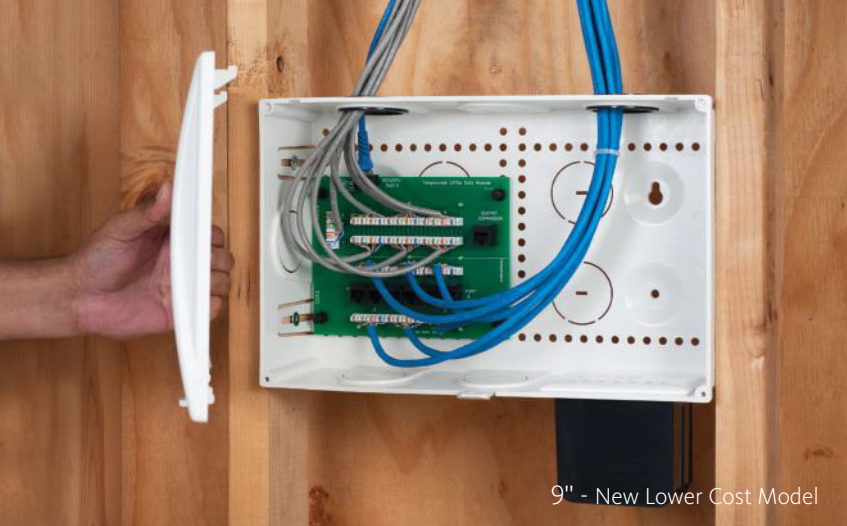
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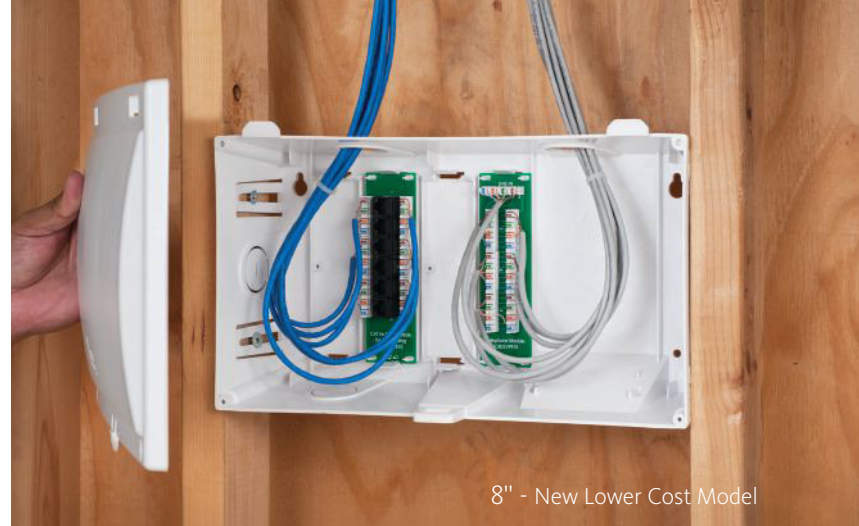


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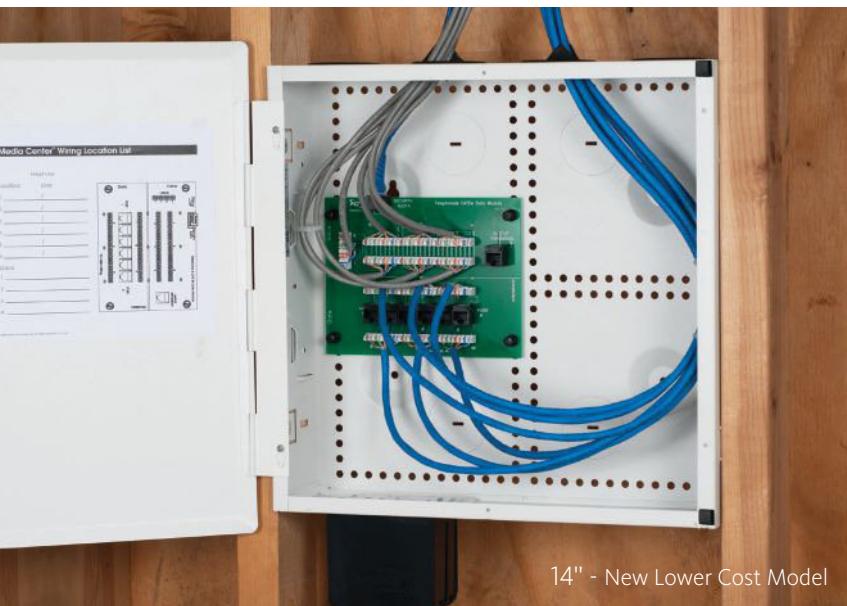
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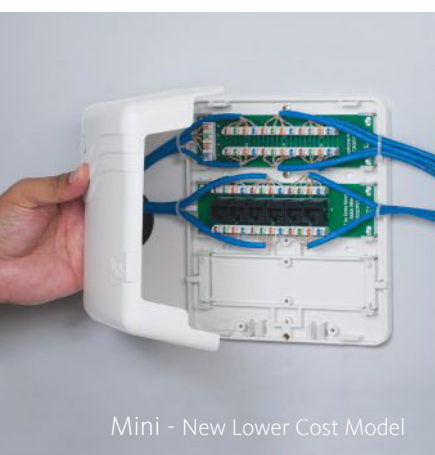
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[MARKET UPDATE]

of Interior Designers (ASID) offers a call to action, stating that new designers are in a better position than ever before to embrace health and wellness in the built world and, according to ASID Honorary Fellow Susan Szenasy, to “fully realize the empathy that interior designers have always sought to achieve.”

The report points out that the design industry has long been aware of the power of well-being, citing, as an example, the creation in the 1990s of the U.S. Green Building Council’s (USGBC) Leadership in Energy and Environmental Design (LEED) rating system. Currently the USGBC’s efforts are concentrated on resilient design, as a result of the growing intensity and frequency of natural disasters.

A marriage of tech and wellness can be seen in projects emphasizing environmentally friendly, gentle lighting. While LED lights have grown in popularity, offering programmable control, energy savings, and waste reduction, the report points out that the light provided by LEDs may not be as beneficial for circadian rhythms as other lighting options. According to the report, more clients are now interested in lighting that allows them to “sync” with nature.

Designers’ and architects’ software, often created by the designers themselves, dovetails with the sensibilities of newer generations of designers who are considered tech natives. The report says younger designers are searching for “meaning and connectivity” in their work and for their clients. Younger designers may be

in a position to instruct their mentors on new avenues for integrating digital technology into the industry and into their own creative expression.

CORRECTION

The section about foundation damp-proofing versus waterproofing in the article “Warm, Dry Basements in Cold Climates,” March 2018, *Professional Builder*, page 20, described the asphalt coating required on the foundation to reduce moisture absorption from damp or wet soil. Coating thicknesses were incorrectly listed as 10 mm and 40 mm, respectively; they should be 10 mil and 40 mil. We regret the error. **PB**

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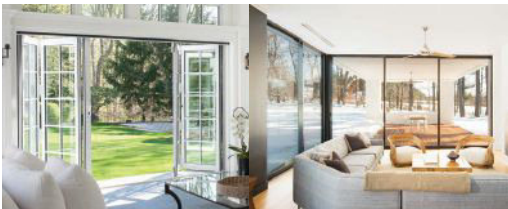
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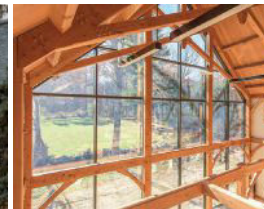
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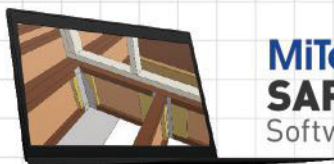
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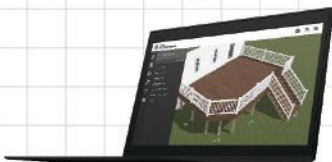
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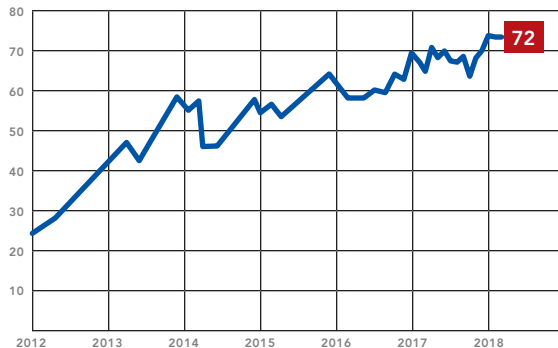
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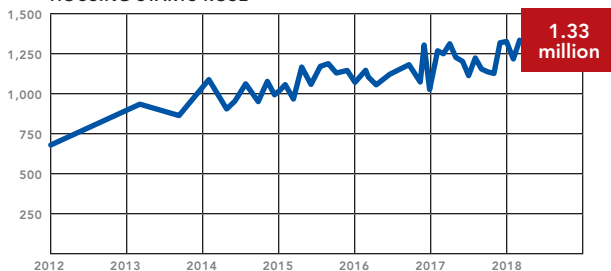
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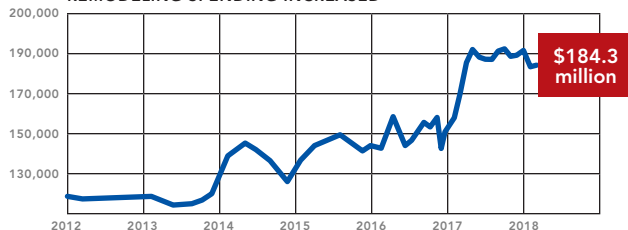
NEW-HOME SALES DIPPED



HOUSING STARTS ROSE



REMODELING SPENDING INCREASED



According to the NAHB/Wells Fargo Housing Market Index, builder confidence held firm at 72 points in February. Though new-home sales were down 7.8 percent in January, housing starts increased 9.7 percent that month, and remodeling spending rose 0.2 percent to a seasonally adjusted annual rate of \$184.3 million.

SAFETY AND REGULATION: A CALL TO ACTION

The Occupational Health and Safety Administration (OSHA) in recent years has imposed large numbers of regulations on the construction industry.

Now the National Association of Home Builders (NAHB) is calling on OSHA to end the regulatory onslaught and instead expand its small-business compliance assistance to help home builders and other small-business owners improve the safety of their operations.

“The significant growth in the number and scope of regulations, along with the associated costs of these regulations, has raised concerns from NAHB members about OSHA’s heavy-handed enforcement practices and procedures,” J. Gary Hill, a custom home builder from Greensboro, N.C., said during testimony at a House subcommittee hearing on “a more effective and collaborative OSHA.”

“It is no secret that safety saves lives and money,” said Hill, who is 2018 chairman of NAHB’s Construction Safety and Health Committee. “We have learned that the money saved through reduced workers’ compensation costs, lost time due to worker injuries, and less time spent on accident claims and reports can be converted into business operations improvements. Moreover, a safe jobsite is the key to retaining good employees and hiring new ones.”

NAHB has identified three steps that OSHA can take to develop a more collaborative approach, particularly with small businesses, for improving regulatory compliance and safety outcomes:

- Focus efforts on providing employers with compliance assistance and training for existing regulations and standards.
- Develop innovative ways to partner with employers to achieve compliance.
- Modernize methods to disseminate compliance assistance information. This would include video-based education segments and checklists viewable from computers, tablets, and smartphones.

Federal regulations cost small businesses 60 percent more per employee than they cost large businesses, and compliance can average as much as \$8,000 per employee, according to the Small Business Administration. On average, 24.3 percent of the final price of a new single-family home is attributable to government regulations. **PB**

ABOUT NAHB: THE NATIONAL ASSOCIATION OF HOME BUILDERS IS A WASHINGTON, D.C.-BASED TRADE ASSOCIATION REPRESENTING MORE THAN 140,000 MEMBERS INVOLVED IN HOME BUILDING, REMODELING, MULTIFAMILY CONSTRUCTION, PROPERTY MANAGEMENT, SUBCONTRACTING, DESIGN, HOUSING FINANCE, BUILDING PRODUCT MANUFACTURING, AND OTHER ASPECTS OF RESIDENTIAL AND LIGHT COMMERCIAL CONSTRUCTION. FOR MORE, VISIT NAHB.ORG.

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Circle 762

MEASURING THE MARKET

Builders and architects weigh in on their preferred sources and data for keeping tabs on selling conditions

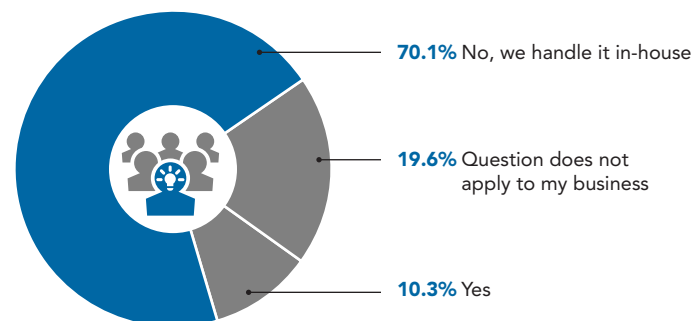
By Mike Beirne, Senior Editor

Zillow and Trulia were mentioned most often by builders and architects when the *Professional Builder Gauging the Selling Market* survey asked: What is the biggest single change during the past two years in the way you conduct market research? The online real estate brands, both owned by Zillow, provide listings and home valuation data, which respondents used to complement other sources for taking the pulse of the market. Social media was the second most mentioned change in market research activity, but the value of its utility was mixed. Some respondents lauded it for helping them see what the market is responding to, while others, such as one Illinois designer, wrote that the information is unreliable, saying, “You cannot believe what is posted.”

Another popular response to the question about how builders and architects have changed the way they gather market intelligence was “not much change at all.” These respondents saw more value from information gleaned directly from their local contacts. “Regional on-the-ground research is more predictive these days over MLS [Multiple Listing Service] or past market research numbers and trends,” a Kentucky custom home builder wrote. For more results about market research preferences, see the charts that follow.

METHODOLOGY AND RESPONDENT INFORMATION: This survey was distributed between Feb. 2, 2018, and March 8, 2018, to a random sample of *Professional Builder's* print and digital readers and to members of Builder Partnerships. No incentive was offered. By closing date, a total of 98 eligible readers had returned surveys. Respondent breakdown by discipline: 40% custom home builder; 21.7% production builder for move-up/move-down buyer; 17.4% diversified builder/remodeler; 6.1% architect/designer engaged in home building; 3.5% production builder for first-time buyer; 3.5% luxury production builder; 2.6% multifamily builder, and 5.2% other. Approximately 35.1% sold one to five homes in 2017, and 13.2% sold more than 100 units.

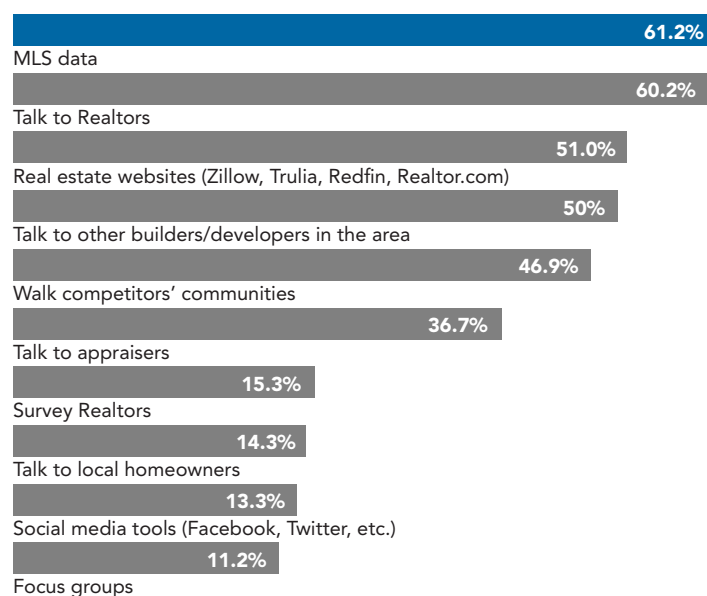
DOES YOUR COMPANY CURRENTLY PAY A THIRD PARTY TO PROVIDE MARKET RESEARCH?



BASE: 97; 2018 PROFESSIONAL BUILDER GAUGING THE SELLING MARKET SURVEY

More than half of respondents said they conduct research to see where the market is regarding prices and what's selling. But that research isn't a budgeted activity for most, as most builders and architects rely on information from local sources and contacts.

WHAT SOURCES DO YOU USE TO COLLECT INFORMATION FOR MARKET RESEARCH?



BASE: 98; 2018 PROFESSIONAL BUILDER GAUGING THE SELLING MARKET SURVEY

Boots on the ground and word of mouth are tried-and-true information sources, but the Multiple Listing Service seems to be the authoritative reservoir of real estate transactions for survey respondents, while online sites seem to complement information-gathering activities.

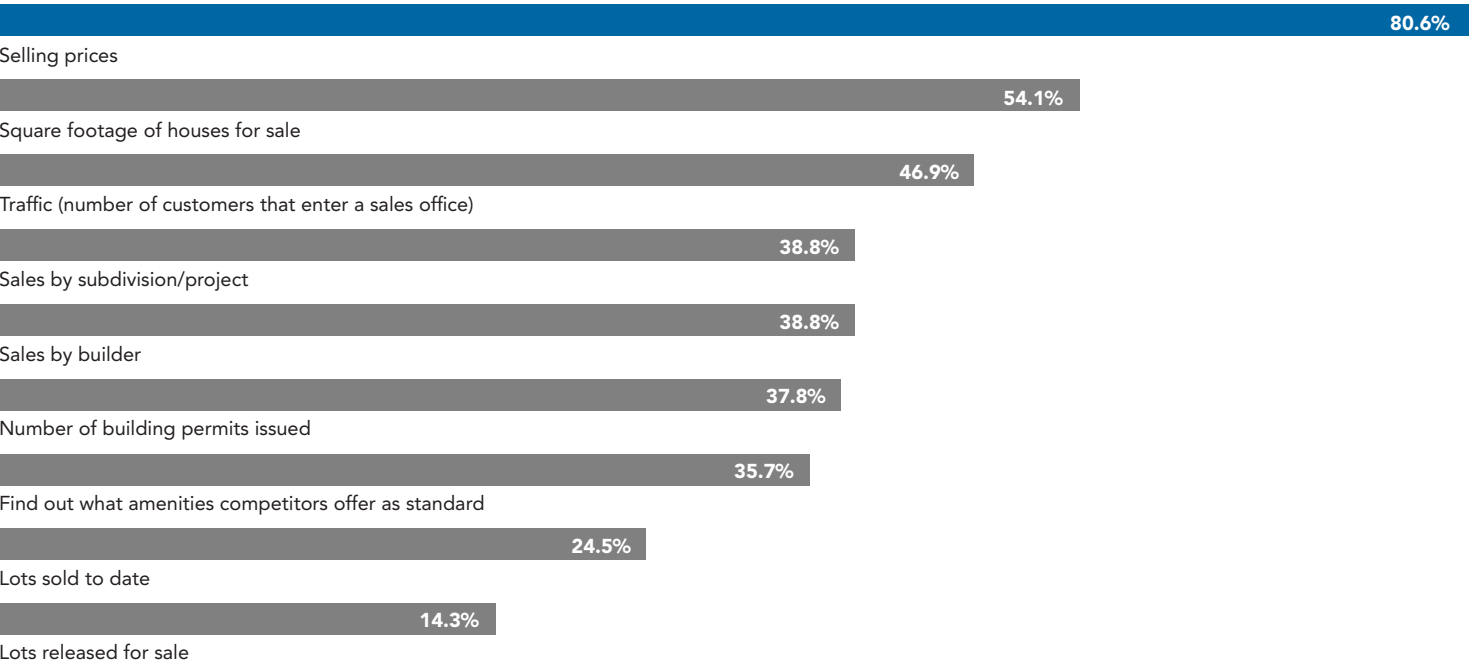
HOW EFFECTIVE DO YOU FIND THE FOLLOWING TACTICS TO BE?

	VERY EFFECTIVE	SOMEWHAT EFFECTIVE	NOT EFFECTIVE AT ALL	DON'T USE
MLS data	33.7%	48.8%	2.3%	15.2%
Walk competitors' communities	33.7%	38.6%	3.6%	24.1%
Talk to builders/developers in the area	30.1%	49.4%	7.2%	13.3%
Talk to Realtors	30%	53.3%	7.8%	8.9%
Talk to appraisers	19.5%	35.1%	11.7%	33.7%
Talk to local homeowners	17.4%	30.4%	8.7%	43.5%
Social media tools (Facebook, Twitter, etc.)	15.9%	30.4%	11.7%	42.0%
Real estate websites (Zillow, Trulia, Redfin, Realtor.com)	15.3%	52.9%	7.1%	24.7%
Survey Realtors	11.7%	24.7%	15.5%	48.1%
Talk to buyers of competitors' homes	7.5%	22.4%	4.5%	65.6%

BASE: 98; 2018 PROFESSIONAL BUILDER GAUGING THE SELLING MARKET SURVEY

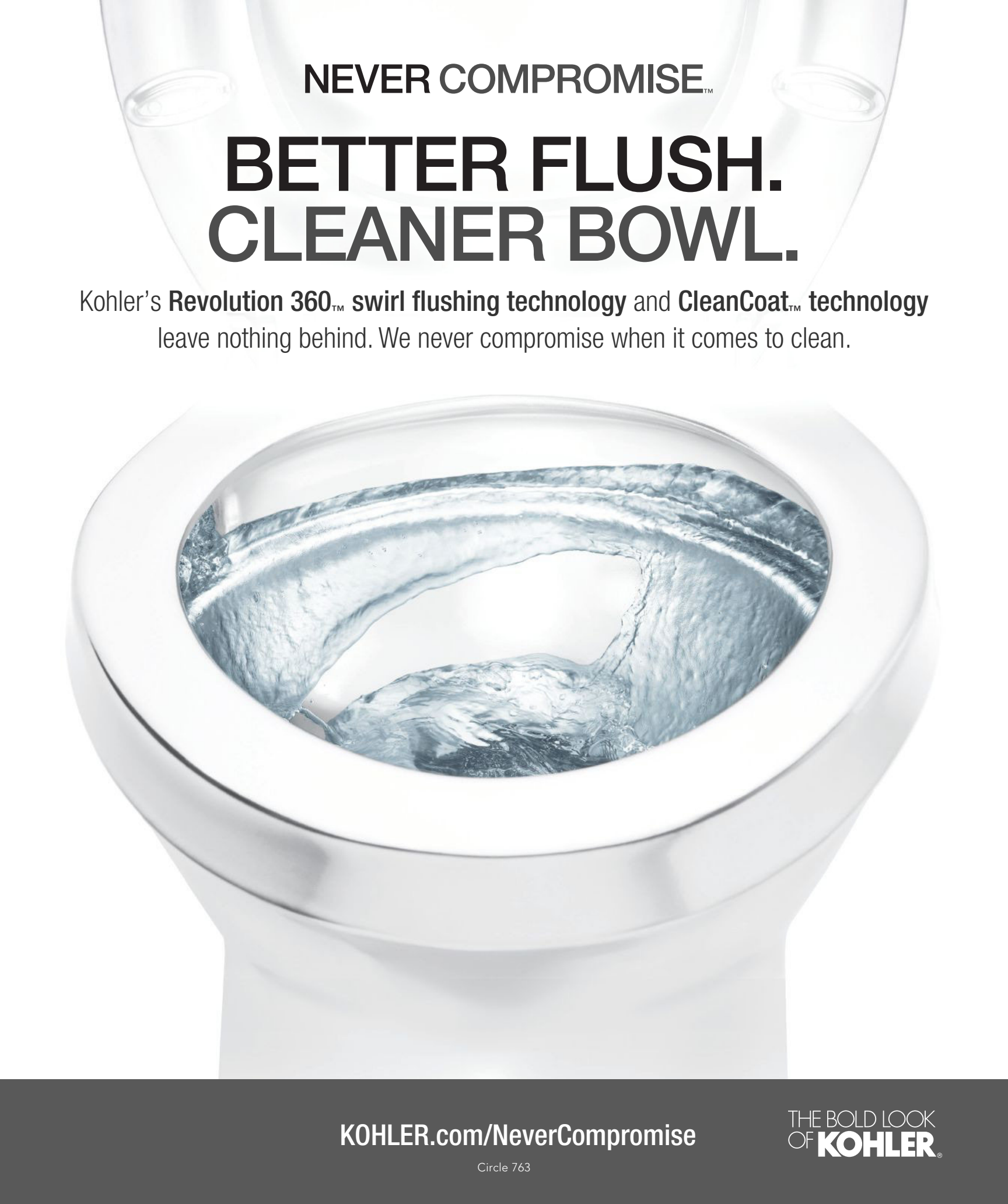
It's no surprise that the MLS is deemed the most effective market research tool. Information from that database is supported by more predictive market intelligence gathered from personal contacts with other builders, developers, and Realtors. Checking out what the competition is doing by walking their properties was also deemed very effective.

WHICH KIND OF INFORMATION DOES YOUR COMPANY DEEM IMPORTANT FOR GAUGING WHAT IS HAPPENING IN A PARTICULAR MARKET?



BASE: 98; 2018 PROFESSIONAL BUILDER GAUGING THE SELLING MARKET SURVEY

Price, size, traffic, and sales were cited as the most important metrics by survey respondents. Useful information mentioned in the "Other" category included the cost of lots, how the local neighborhood submarket is trending, number and size of homes sold during a recent sales period, the number of days a house is listed on the market, and months of inventory.



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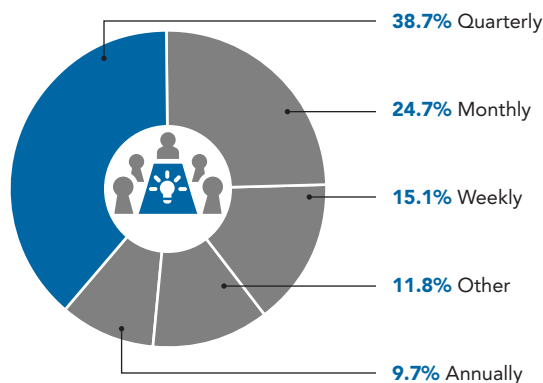
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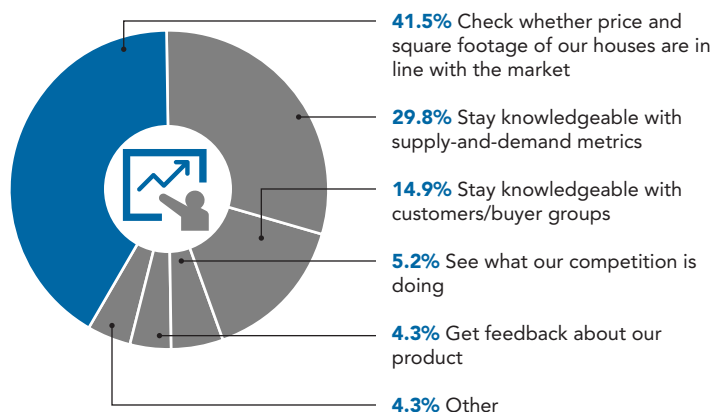
HOW OFTEN DO YOU REFRESH/CONSULT YOUR MARKET RESEARCH?



BASE: 93; 2018 PROFESSIONAL BUILDER GAUGING THE SELLING MARKET SURVEY

Builders in the “Other” category stated that they periodically consult their market research, as needed, or “when planning a new project.”

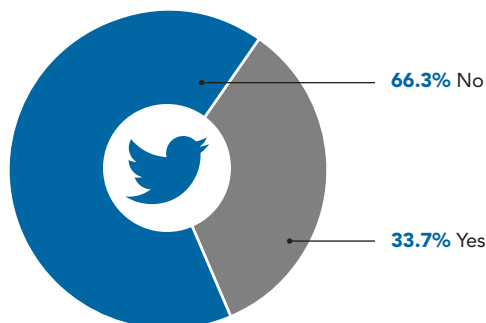
WHAT WOULD YOU SAY IS THE PRIMARY PURPOSE OF YOUR COMPANY'S MARKET RESEARCH?



BASE: 94; 2018 PROFESSIONAL BUILDER GAUGING THE SELLING MARKET SURVEY

The main role of market research for builders and architects is to benchmark where their product stands in their part of the world as far as price and size are concerned. More macro insights, such as supply and demand and buyer activity and preferences, are secondary.

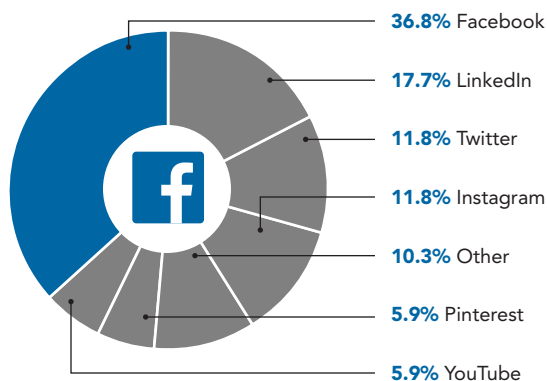
HAVE YOU USED SOCIAL MEDIA TOOLS FOR MARKET RESEARCH PURPOSES?



BASE: 95; 2018 PROFESSIONAL BUILDER GAUGING THE SELLING MARKET SURVEY

A New York custom home builder stated that social media as a market research tool helps them gauge what the market is seeing and paying attention to. A Michigan multifamily builder commented that it was useful for seeing what is going on in the area, particularly with new business development. Most respondents use social media for promotion and advertising, followed by tracking and following up on responses.

IF YES, WHICH SOCIAL MEDIA TOOLS DID YOU USE?



BASE: 68; 2018 PROFESSIONAL BUILDER GAUGING THE SELLING MARKET SURVEY

Of the builders and architects who use social media, Facebook was used by more than a third. However, an Oregon builder deemed social media a waste of time, and an Illinois custom home builder reported receiving a substantial number of views when his company promoted projects, but no phone calls or on-site contact.

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Circle 764

STOP PLAYING PRIVATE EYE



Trying to outsmart algorithms is a fool's game.
Great content is what matters. Here's why

By Kevin Oakley, Contributing Editor

January 11, 2018, was the final day of the International Builders' Show. It was also the day that Facebook announced that its news feed algorithm would be altered. Close friends, family, and content that favors "meaningful interactions between people," would be given priority over "posts from businesses, brands, and media," Facebook CEO Mark Zuckerberg said. The reaction from marketers was swift—panic. The effect on good advertisers on Facebook has turned out to be small. But what we can learn is this: The way many of us continue to market our homes and communities is wrong.

STOP HACKING, START CREATING

Google changes its algorithms often. Facebook will continue to do so as well. Fear erupts whenever the social media platforms do this because marketers spend too much time playing cops and robbers—trying to hack how an online channel delivers advertising and too little time creating useful content for prospects and customers. Marketers, realizing they may have to start from scratch if their strategy is shut out by the algorithm change, start to worry. Companies such as Google and Facebook are always looking to combat the race to the bottom caused by marketers. But, ultimately, it hurts the user experience.

How people interact with media has changed as technology has evolved. But how different media interacts with users has also changed. Marketers observe users constantly and they react quickly to try to keep users happy. Marketers operate under the threat of bored or unhappy users being lured away by new apps, sites, or services. Algorithms change because the marketers are winning the private detective game and the consumer is dissatisfied. Consumers don't want ads; they want well-crafted content that educates, inspires, or solves a problem.

HOW CONTENT SAVED MY CAREER

Great content solves your customers' problems, your marketing problems, and it has saved my career as a marketer.



Years ago, the family-owned builder I worked for was acquired by an industry giant. Within 45 to 60 days, we were to cease selling the 40 home designs my team had been offering in favor of 12 new ones from the new owner. And there was no time to build models prior to the

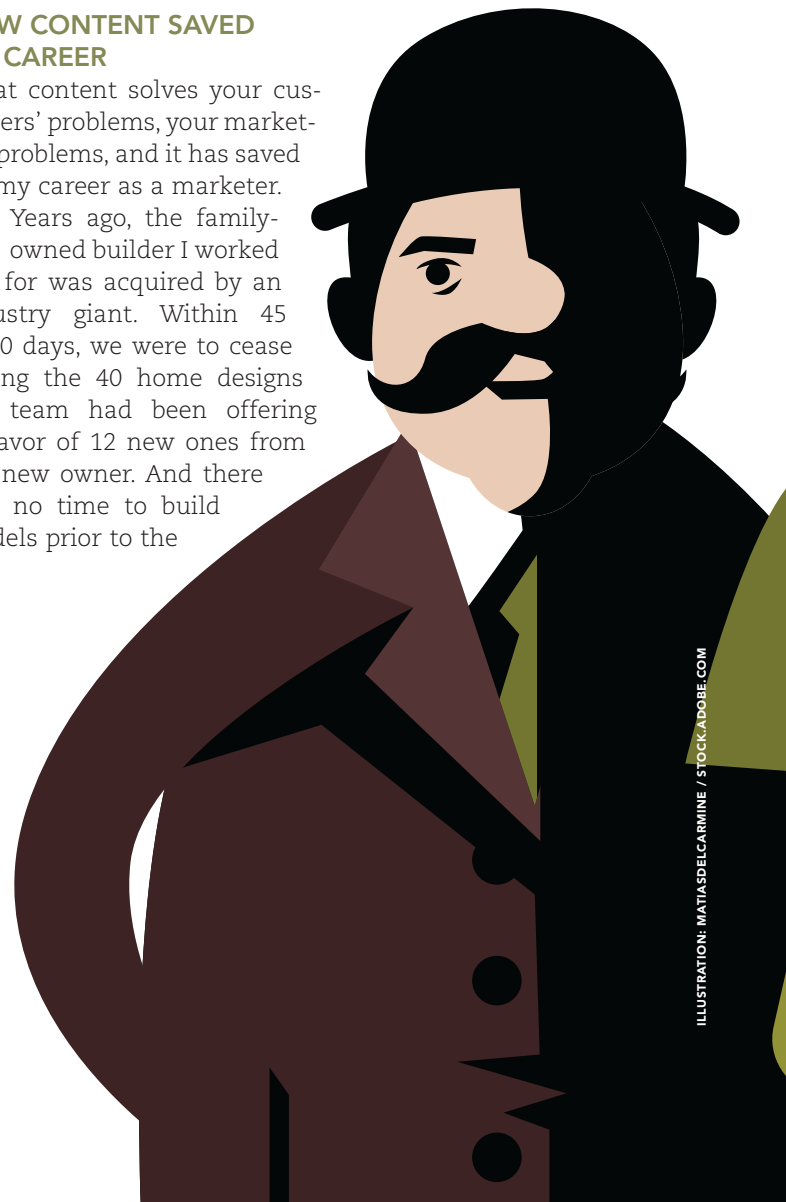


ILLUSTRATION: MATIAS DEL CARMINE / STOCK.ADOBE.COM

switch. If a prospect wanted to tour one of the new designs, an eight-hour round-trip was required. As you can imagine, my sales team felt as if they'd been asked to do the impossible.

I sent two film crews out for two weeks to capture as much new product as possible. Footage was prepped for shorter videos and small galleries to draw in new traffic to our (now outdated) model homes and online sales team. We also created longer interactive content, so the sales team could actively engage with a prospect. Sales could share how a home design would meet or exceed buyer needs with 12 minutes of high-definition footage and a virtual tour on an iPad. Even better, the salesperson taught the prospect how to explore this content on their own

at home. That month, 29 homes were sold, at an average price of \$600,000. And not one buyer elected to take the drive to see the homes in person prior to signing.



AVOID COMMON ERRORS

Unfortunately, most builders' content about the homes they sell is lacking compared with consumers' expectations. Polished versions are rarer still. If you don't have all of this for individual homes, community-based content is in an even worse spot, and inserting a Google points-of-interest map isn't enough. There are two common strategic errors with content.

Error No. 1: A focus on select portions of the buyer journey.

It's usually awareness and consideration. If desirable content does exist, it isn't organized for the sales team to use effectively in a presentation. And content for the sales team to use during their follow-up often doesn't exist at all.

Error No. 2: Sharing facts and not telling stories. Prospects need both, but in the end, the best story wins. It wins when consumers are narrowing down the short list of builders to visit. It wins on the sales floor. It wins at the dinner party where a friend is considering moving to a new home and is seeking advice.

YOU CAN FIX THIS

If you can apply the following three insights, you can make 2018 the year that you shift from advertiser to true marketer.

1/ Get your budget in order: Stop trying to create riveting content on a shoestring budget. Content creation should make up $\frac{1}{3}$ of your overall spend for the year. My full recommendations are in "The Perfect Marketing Budget for 2017" (*Professional Builder*, January 2017). Allocating the right amount lets you partner with professional photographers, copywriters, and graphic designers.

2/ Keep the customer first and be authentic: You need to know what your customer wants and needs at each step of their journey—better than they do. If your CEO and the customer disagree, it's your job to let your CEO down easy and keep the customer first. Messaging must also always be authentic to your brand. (Not the brand you want to be when the company grows up, the one you are *right now*.)

3/ Create a replicable process: No matter how incredible a single video may be it won't be enough to address every need or desire your customers have. Similarly, spending large amounts of money and time on a single piece of content isn't the approach you want to take. If it's too expensive, too difficult, or requires too perfect of a scenario, you won't be able to do it often enough. Your goal is to create a repeatable process that generates enough breadth of content with enough depth and quality to stand out from the crowd. Tinkering with your process until you find the right blend will give you an enormous return on your investment, but it requires both patience and focus. **PB**



Kevin Oakley is managing partner at Do You Convert, a company exclusively focused on online sales and marketing for home builders and developers.



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Circle 765

THE POWER OF CERTIFICATION

If you're an employee, attaining certification will help you establish an edge. If you're an employer, offering it will help to attract plum hires

By Tony L. Callahan

A quick internet search of your chosen sector of home building will show that professional certification programs abound. Sales and marketing, construction, accounting, finance, information technology, and purchasing: Several certification programs exist for every functional area within a home building company.

Purchasing professionals, for example, can choose from programs such as Certified Professional in Supply Management (CPSM) from the Institute for Supply Management, or Certified Supply Chain Professional (CSCP) from APICS (formerly known as the American Production and Inventory Control Society). The benefits of certification include expanding knowledge within your chosen profession, connection to a network of other certified professionals, and distinguishing yourself from your peers.

A DIFFERENTIATOR

For a business, professional certification helps ensure that there are qualified people in key roles. Certification provides employee development opportunities and improves competitive advantage through a better, more knowledgeable workforce.

Knowledge. The main reason to pursue certification is to attain knowledge, but do your homework before selecting a specific program; most will provide you with a list of the topics the program covers. Be sure the program you choose is relevant. Having letters after your name is meaningless unless you can deploy the acquired knowledge to perform your job better. If you have the choice between self-guided study and a classroom setting, know that taking a class with people from other industries or other companies within your industry



PHOTO: LASSEDESIGNEN / STOCKADOB.COM
LOGO: MARTIALRED / STOCKADOB.COM

offers upsides. There's the chance to learn from your peers—not just the instructor—and to hear how other companies and other industries approach the same challenges you do.

Most certifications require formal training or a significant amount of self-guided learning. With each study session, look for ways to apply what you've learned to your job. If you're not able to do that, the certification program isn't a good one.



Networking. Going through the certification process with like-minded professionals is a great way to build a network of capable people. Working on a special project and want to bounce some ideas off other professionals? Utilize your network of certified pros. They're free consultants: All you need to do is be willing to return the favor when they call you asking for advice.

A WIN-WIN

Having a network of people outside your industry will give you an edge. Our industry has been a bit slow to embrace new technology, as well as business models such as Lean, Six Sigma, continuous improvement, concurrent engineering, finite scheduling, and rough-cut capacity planning. Other industries have a significant head start in these areas. Mine your network of professionals from outside home building to learn how others embraced new ideas. Learn from their mistakes.

Continuing education. Most certifications require continuing education in order to maintain certification. This helps keep you current and teaches new skills so you stay abreast of developments in your field—or you risk becoming obsolete.

Companies depend on their employees to retain a competitive advantage, and competition is getting tougher every day. Sometimes you just need a little nudge to enroll in that course. A continuing education requirement could provide the additional push you need to attend that seminar or take that online course you recently read about.

Setting yourself apart. Knowledge acquired from a good certification program will enable you to make significant improvements on the job, but it will be the results that set you apart, not the letters after your name. You're not done when you pass tests or meet experience requirements—your work has just begun. Now it's time to apply your knowledge, to work to ingrain it in your everyday thinking and to tackle problems differently from the way you previously did. Work to make your employer or your company better every day and people will notice.

Benefitting your organization. Getting qualified people to fill key roles is tough in the current market; there isn't enough skilled labor to go around. Companies must develop bench strength from their existing talent pool. What better way than enriching the knowledge of current employees? Create a culture of continuous learning and recognize those that engage in it and excel, and share their success at company functions.

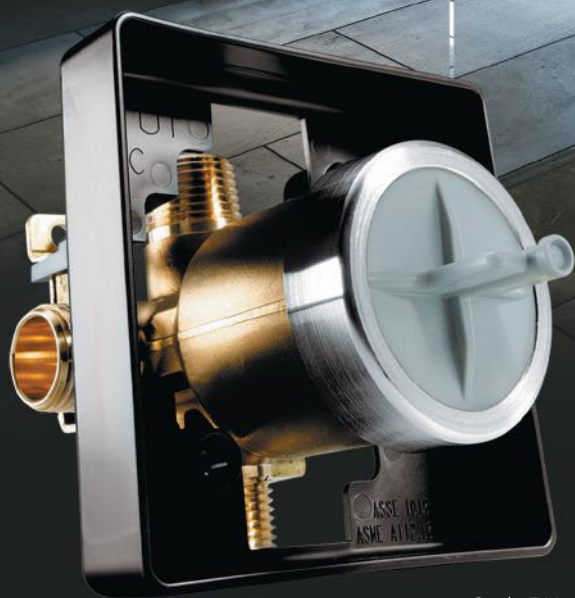
Some organizations pay for employee certification, others don't. Regardless, invest in yourself. Maybe the edge you'll establish will be the tie-breaker in a promotion opportunity.

Knowing more is better: Never stop learning. Less than 5 percent of the workforce currently hold a certification, but the number will grow. Employees notice that expanding knowledge and networks are differentiators in today's dynamic marketplace. More and more companies are realizing they need to develop their workforce to remain competitive. Certification is one way to achieve that. **PB**

Tony L. Callahan, CPSM, CSCP, has worked in the home building industry for more than two decades.



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THE KEY TO QUALITY HOMES IS PROCESS

A strategic consultant shares seven tenets of process-centered home building companies and why a healthy business depends on them

By Mark Hodges

Through the years, I've worked with hundreds of process improvement teams, cross-functional groups of employees assembled to grapple with the problems of poorly designed or badly executed operational functions. I've trained more than 2,000 employees on the principles and practices of continuous process improvement. Each team was different, but I began each training session with the same simple question: "What does our company do?"

After a long, awkward silence, one brave soul would respond, "Um ... we build houses?"

"Actually, no," I'd reply. "We don't really build anything. We're essentially a process management company." I'd explain that we manage the processes by which other companies build homes on our behalf.

While this jarring truth was sinking in, I'd ask for a show of hands of how many in the room work with a hammer or a paintbrush to do their jobs. Most, of course, used neither. We'd then create a list of the tools we did use every day—computers, telephones, calculators, documents, schedules, etc. The eureka moment had arrived: Other companies build our homes, and each of us works for a process company.

What does it mean for your company? If your processes are poorly designed, inconsistently executed, error-prone, or overly complicated, then your company is operating poorly, inconsistently, and ineffectively. If your processes are broken, so too is your company's operation.

The implications are profound. If you understand this truth and focus your attention on improving the processes you use to run your business, you can make extraordinary and measurable improvements in your results.

SEVEN KEY PRINCIPLES OF PROCESS MANAGEMENT

Process-centered companies embrace seven principles:

1 Processes are always changing. As companies grow, as technology offers new and better ways to work, and as customer expectations change, processes become outdated, inefficient, or ineffective. Smart companies continuously examine their processes to make improvements, streamline steps, and modify roles and responsibilities of those involved in the process. “How we’ve always done it” is no longer an acceptable justification of a process. Attributes of a well-designed process are efficiency (repeatability, predictability, and scalability) and effectiveness (meeting customer needs and producing the desired results).

One of the biggest contributors to process dysfunction is organizational silos that expand and get more complex as companies grow. Larger departments with more people and more complicated procedures result in mounting tension between departments. With that comes increasingly poor communication and execution breakdowns. “That’s not my job” is heard over and over. But process-centered companies remain vigilant to ensure that the barriers that develop between departments are eliminated through well-designed handoffs.





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GETTING WHAT YOU PAY FOR

THE FIRST STEP TO GETTING HIGH-QUALITY WORK IS DESCRIBING EXACTLY WHAT YOU EXPECT. THE FIRST IN A TWO-PART SERIES

By Richard Baker

In addition to more government regulations, builders are contending with costs for land, labor, and materials that are rising faster than builders' ability to increase home prices. In this business climate, protecting margins must include reducing operating costs.

A KEY TO FEWER CALLBACKS

One way to cut costs is to implement processes to reduce warranty and litigation claims. We've found, in our work with many top U.S. production builders, that those with the fewest callbacks and happiest customers have the following in common:

1) They create standard specifications with clearly defined performance language.

2) They educate installers on the details of these quality expectations.

3) They have systems in place to make sure those expectations are met. Some of these builders have halved their warranty spending—savings that go directly to the bottom line.

The basics include detailed installation instructions and lists of approved products. This can be a big shift for builders that normally leave detail and product decisions to installers. Some merely require that work be done "to industry standards," but the understanding of that term can vary as much from one installer to the next as do recipes for the best chili. To further complicate things, most subcontractors' workers have less knowledge than a decade ago. It's an environment that cries out for standardization and clearly defined expectations.

CHECK, CHECK

We recommend that builders have clear checklists and illustrations for critical processes. These take work to create.

With stucco, for example, you will need to consult code requirements, ASTM standards, and professional organizations. You'll also need to include your project managers, purchasing agents, and subcontractors in the discussions. Do you work in different communities and market areas? Get input from key people in each of them.

A typical home may benefit from 20 or more checklists, but there's no need to create them all at once. Instead, start with the two or three assemblies that have been causing the most callbacks, whether it's leaky shower pans or comfort issues from poorly installed fiberglass batts.

While these details show installers the key requirements for each assembly, the specs also need to tell them what products to use. That means never using the term "or equivalent," as in telling the siding installer to put "DuPont Tyvek or equivalent" on the walls. Not all products perform equally.

If you don't want to limit your crews to one product, you can create approved-product lists from which they can choose. Include brand names, or specify a certain product type such as "butyl flashing tape," rather than simply "flashing tape."

Update the installation instructions whenever product choices change. Otherwise, if, say, the builder switches from one brand of stone veneer cladding to another and doesn't update the work specs, the installation details may not meet the manufacturer's warranty requirements.

Standard specs with clearly defined performance language are a great investment that offers measurable payoffs, but specs must be maintained over time by ensuring that workers actually follow them. That's the subject of next month's column. **PB**

Richard Baker drives quality and performance in home building as a program manager of the PERFORM Builder Solutions team at IBACOS.



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KITCHEN + BATH TRENDS 2018

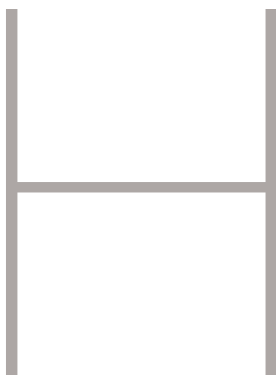
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EVOLUTION OF LAYOUT AND DESIGN

BY WANDA JANKOWSKI



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Officine Gullo, a luxury kitchen company, offers ultimate customization with specially crafted kitchens that include hoods, built-ins, sinks, refrigerators, and cooking suites tailored to client wishes.



omeowners want their spaces to be up-to-date while incorporating features that they can personalize. Even if they've never set foot in your showroom, design websites, TV shows, and blogs ensure that prospective buyers are increasingly savvy about what "up-to-date" really means. "Houzz and HGTV are big influences on homeowners these days, especially if they want to update to sell the house," says

Linda Knapp, designer at Sebring Design Build, in Naperville, Ill.

Though contemporary styles are growing in appeal overall, it's important to note that individual and regional diversity remain. Peter Tow, principal architect and owner of Tow Studios, in New York City, says that modern and transitional styles are popular in the U.S. Tanya Woods, founder of Xstyles Bath + More, in Bloomfield Hills, Mich., declares that, "Shaker style rules." And Terance B. Manly, design studio manager for Taylor Morrison in Atlanta says modern farmhouse style "is really making a statement" in his particular market.

KITCHEN

Styles may vary, but a preference for neutrals in the kitchen continues to prevail. For some serious cooks, this means it's the food and ingredients that provide the color; for others, neutrals offer freedom when it comes to choices in textiles and dishware; and for others, white is clean, calming, and serene. Right now, Manly observes a trend toward neutrals and metallics, noting that "White cabinets are in demand, and pops of black and burnished brass are being requested daily, as relates to metal finishes." David D. Kenoyer, owner of KDK Design Group, in Raleigh, N.C., also sees white and light gray kitchens prevailing. Architect Craig McMahon, president of Craig McMahon Architects, in San Antonio, notes a client preference for stained darker woods such as teak and walnut. But, he adds, "White or light countertops prevail in nearly all of our kitchen selections."

Regardless of color, Knapp says, "Most people want to de-stress from the day, which translates to less ornamentation and clutter at home—simple, efficient spaces." As the 2018 U.S. Houzz Kitchen Trends Study reports: Most homeowners admit to obsessing over decluttering kitchen surfaces (75 percent) and putting things away (66 percent).

"Pantry systems are commonplace and cubbies with lift-up doors for small appliances that can be hidden away when not in use [are popular]," Woods says. McMahon adds, "Cabinet



The cozy kitchen in this Street of Dreams project in Portland, Ore., boasts an efficient layout and clean lines. The backsplash, featuring tile by manufacturer Ann Sacks, is set off against traditional white cabinets, and brings warmth and color.

pantry systems are of big interest, as they remove the need for the walk-in pantry. They're efficient and you can store more products there than with the traditional shelving system in a closet pantry."

The Houzz study also reveals that half of renovating homeowners open their kitchen to other interior spaces (49 percent), with a completely open transition (56 percent) or double doors, a row of doors, or a wide opening (23 percent) being the most common. In remodeling projects, "Our biggest request is opening up the kitchen to the family or dining room and putting in an island," Knapp says. "Essential is a multipurpose island where family members can eat and kids can do homework," according to Woods.

Today, single-level island countertops predominate. "No bump ups or downs for the seating," says Knapp, who receives few requests for granite countertops these days. "Light-colored engineered quartz countertops with gray veining are the new standard." Woods concurs, noting the profusion of color options available in engineered quartz countertops and the number of manufacturers that are offering them. "They're



easy to maintain and are stain resistant. The colors are also consistent, unlike natural stones in which each piece is different. Some clients don't have a tolerance for variances in pattern," she says.

TECHNOLOGY AND APPLIANCES

At this year's Kitchen & Bath Industry Show (KBIS), technology's presence was evident in the kitchen, built around convenience. "I'm seeing more refrigerators with iPads on the door that inventory contents so information can be sent to the grocery store to place an order," Woods says. "Charging stations are a 'must,' whether in a wall cabinet that sits on the countertop, in a top drawer of a base cabinet, or USB ports in the backsplash," Knapp says.

Appliance selection is more individualized than ever. Knapp notes that steam ovens are becoming "a bigger talking point," especially for serious cooks. Tow says, "Steam ovens and glass-door refrigerators are very popular with my clients, as well as wine refrigerators and commercial-look dual ranges."

McMahon believes induction cooking may finally be on the rise. For cooks, induction's responsiveness rivals gas, offering safety and energy efficiency. For designers such as McMahon, "it really changes the look of the typical kitchen to not have

Efficient, neutral, streamlined: Under-cabinet LEDs in this Naperville, Ill., kitchen by Linda Knapp of Sebring Design Build are energy-efficient and long-lasting; neutrals with metallic accents are popular in kitchens and baths; the Naperville kitchen's tucked-away pantry, accessed via a barn door, offers sensible storage for a clutter-free kitchen.

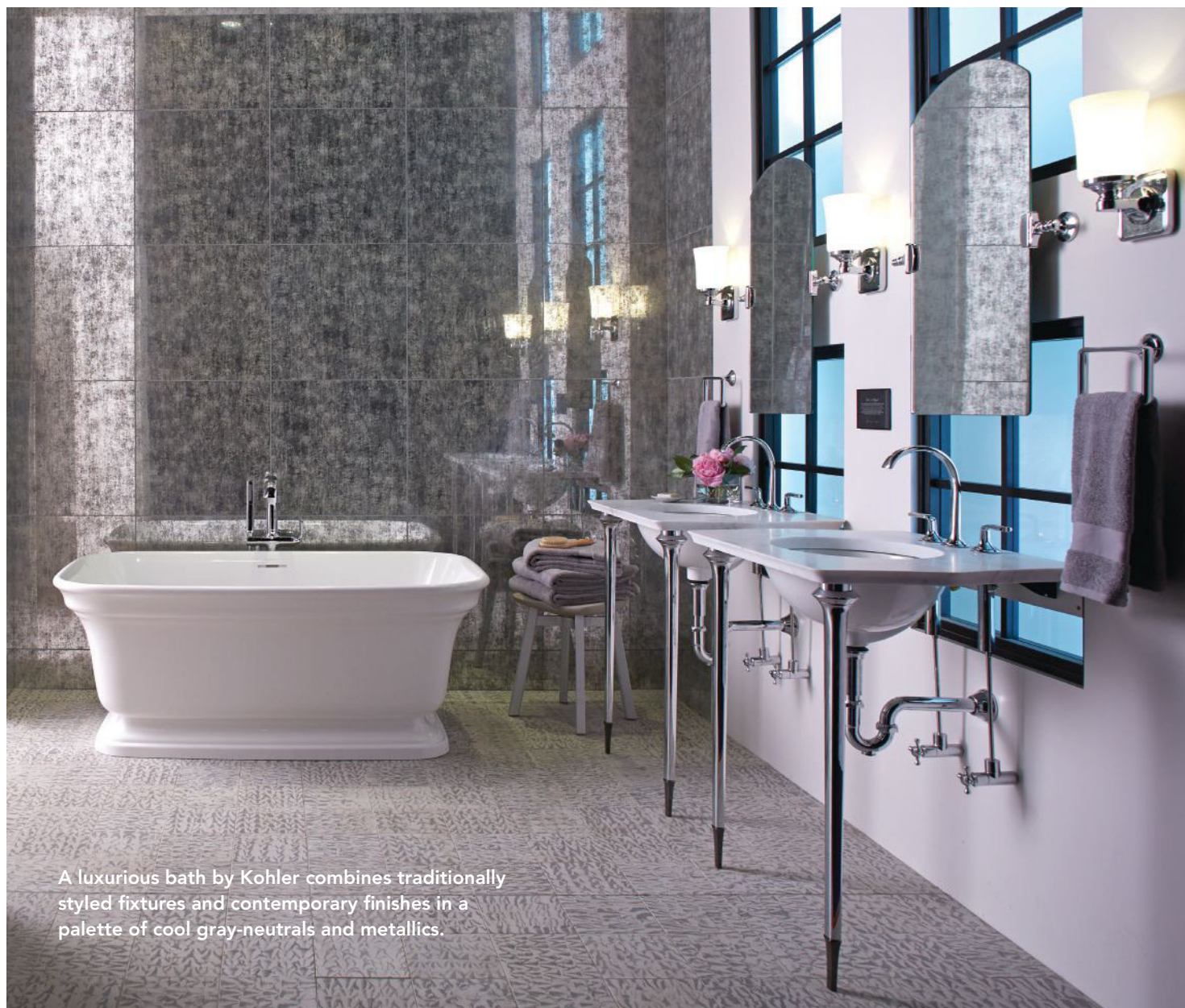
the traditional gas stove and hood as the main focus. This opens up a back wall significantly."

On the other hand, Manly reveals that his clients demand professional-grade appliances with five- or six-burner cooktops, as well as three-door refrigerators and, he says, "the most industrial vent hoods possible." Although stainless steel appliances are still most in demand, manufacturers at KBIS this year were showing new models in black and graphite finishes.

BATH

According to Manly, transitional style and cooler tones are on the rise in the bathroom. Kenoyer adds, "Baths are similar to kitchens in that mostly white and light gray seem to prevail." Tow states that among his clients, light neutral and off-white tones predominate. All this may be in keeping with the current idea of the bath as getaway, sanctuary, and home spa.

Cabinetry configurations are changing in the bath, as consumers seek practical bath storage that ensures a streamlined look. According to Woods, "The cabinet 'tower' between double bowls on the vanity is gone to allow for more counter-top and mirror area, with storage options transferred to linen closets or specialty base vanity cabinets." Furniture-look free-standing vanities also are in demand, in a variety of styles.



A luxurious bath by Kohler combines traditionally styled fixtures and contemporary finishes in a palette of cool gray-neutrals and metallics.

PHOTO: COURTESY KOHLER

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This dramatic master bath offers sculptural fixtures, large-format tile, and a mix of textures and materials. Layered lighting is gaining popularity in the bath as well as the kitchen. Robert Singer & Associates included visible and concealed lights.

Tile is a way to personalize the bath space and make it an art piece. McMahon explains, “The typical tile wall is evolving into unique bathroom tile—with movement and textures and finishes that go beyond the conventional tile of years past.”

Of the material itself, “Porcelain tile is popular in larger format sizes, such as 12 by 24 and 24 by 24 inches,” Woods adds. “Mosaic stone floors and accents are in demand. There is also a resurgence of patterned ceramics as accents. Tile printed with patterns is a new trend.”

EVOLUTIONS IN BATH LAYOUT

Many bath layouts now include an enclosed toilet compartment. Homeowners are also seeking upgrades to the fixture itself. “Clients today always ask for comfort-height toilets,” Woods says, referring to those higher than the 15-inch standard and designed for easier mobility. “Also popular is the inclusion of a bidet seat on the toilet—more than in the past.”

But perhaps the most significant layout change in the bath involves the tub. “Tubs aren’t anywhere near as much of a standard feature as they used to be,” Kenoyer says. “Consumers are actually eliminating tubs,” Manly points out, “and are opting for a huge walk-in ‘spa shower’ with all the bells and whistles.”

If there is a tub, it’s either in the guest bath or, if it’s in the master, it’s a freestanding soaker. “The shower has become the focal point of the room, with as much clear glass as possible,” Knapp says. According to Woods, clients have backed off on including multiple body sprays in favor of a handheld showerhead along with a main rain-shower-style head.

A new development in showers involves connecting home interiors to the great outdoors. “Depending on the market,” Harris says, “a shift we are starting to integrate into our projects is the indoor/outdoor connection to the master bath.”

McMahon continues, “The outdoor shower, directly connected to the main shower, is a unique and newly developing



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Elegance, individuality, personality: A cabinet from Dekton by Cosentino and Riva 1920 elevates the freestanding vanity trend; a shower by New York architect Peter Tow becomes art with a mosaic from Sicis tile; a powder room can offer the chance to specify standout fixtures, as seen in this playful lighting design by Robert Singer & Associates.

idea. The integral shower/steam sauna with a tub located within the shower enclosure also has been a very interesting look for smaller homes where space is at a premium. Another new item is outdoor showers for pets.”

In finishes, according to Woods, chrome leads the pack, followed by brushed nickel, with increased interest in satin gold, matte gold, and black finishes.

“Lighting has become more important, with chandeliers added to the center of the room and wall sconces or pendants on either side of the vanity mirrors if not integrated into the mirror itself,” Knapp explains. “And don’t forget dimmers for mood lighting,” she adds.

McMahon notes, “Powder rooms have become focal points, usually located closer to the entry of the home and engaging the spirit of the home’s overall finishes.”

Overall, today’s consumers are adhering less to traditional notions about what is good for resale value and are more boldly embracing layouts and products that offer efficiency and convenience and that reflect their own personalities. **PB**

Wanda Jankowski writes about design from her home in New York City.



PHOTOS: FROM TOP LEFT, COURTESY COSENTINO DEKAURI; COURTESY TOW STUDIOS; STEVE WUNDINGER PHOTOGRAPHY



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SO, YOU WANT TO BE A PRODUCTION BUILDER?

THE TRANSITION FROM CUSTOM TO
PRODUCTION REQUIRES FAR MORE THAN
JUST A PORTFOLIO OF STANDARD PLANS



By Scott Sedam, Contributing Editor



My colleagues and I have witnessed an interesting trend during the past year, typified by a call that goes like this, “We are custom builders. We build 15 to 20 units a year and could maybe grow to 25, 30 at the most. We aren’t keeping pace with the demands of starting over from scratch with every single house. The constant changes are killing us, and our margins are falling short.”

A similar call comes from a small builder that already began the transition. They build production units but are stuck at a level, usually no more than 40 or 50 units, often less, and can’t seem to grow effectively. Both types of builders do just about anything a customer asks to sell a home, even the one that now considers himself a production builder. Both acknowledge difficulties recruiting and keeping good trade labor. They’re frustrated and hope someone has a proven formula to make the transition from custom to production—or something that looks a lot more like the latter. Hence the call to TrueNorth.

“So you want to become a production builder?” we ask, and typically their reply is a somewhat hesitant “Yes.” They don’t want to become a “tract builder,” a term that carries a lot of baggage in their eyes, going all the way back to the post-WWII days of Levittown. They still want to build great homes and want customers to love their homes, even love their builder.

In the past, this has been achieved by offering buyers just about anything they want. Yet, for many of these builders, it’s wearing them out. I know something of what they feel. One of my sisters is a custom builder in a southern state. Her houses are designed by expensive architects for high-income families and run in the \$2 million to \$5 million range. The buyers want what they want, when they want it, even if it means tearing

off one very expensive roof and restarting with another found while on vacation in Italy, or paying \$65K to move a 440 amp electrical panel to a new place where you can’t see it, from the original place where, well, uhhhhh, you couldn’t see it either. Schedules grow from a leisurely 12 months to a ridiculous 18 months for no other reason than personal whims. I feel my sister’s pain and I flat out couldn’t do what she does. Not all of her clients are nuts ... just two-thirds of them.

Thus, it’s no surprise that custom builders, whether they build multimillion dollar homes or \$500K units, find the idea of bringing production elements to their business appealing. We engage them in a conversation about what production building means to them. They usually focus first on the notion of having a collection of “portfolio homes.” This typically consists of eight to 10 homes with set floor plans and an elevation or two each. The goal is to get those plans fully costed out, learn how to build them well, and sell those plans as much as possible, typically with a liberal policy of “personalization,” including structural changes. But they’ll still do full custom when a client walks in the door with their own plan.

CAN YOU SERVE TWO MASTERS?

That’s a pretty good place to start. In shifting from custom to production building, there are a whole lot of things to consider, and builders are often surprised at just how different custom and production building are. This is confirmed by the fact most builders I have known that try to do both production and custom find it extremely difficult. They do one much better than the other, or they experience marginal performance in both.

As the venerable Luke the Evangelist wrote nearly 2,000 years ago: “No one can serve two masters. Either you will hate the one and love the other, or you will be devoted to the one and despise the other.” We all know this from our personal lives, and it is felt in everything from jobs to avocations to



relationships. I've been there. It's possible to serve multiple masters for a while—and many readers are doing that right now—but often at great personal and professional cost. Don't straddle the fence. Decide which builder you really want to be.

In just the past month I received calls from the two types of builders described above, each wanting a proposal on how we could help them make the transition to production. I've always avoided consulting proposals that say, in so many words, "Send us money and we'll come and be smart for you!" I find clients are far happier buying a defined process that specifically outlines what we will do, the deliverables they should expect, and at what cost. Thus, after these two most recent requests, I launched into my development mode, which means I let the idea bang around in my head for a few weeks, making lots of random notes.

There were some promising ideas and some dead-ends. Finally, I went to the whiteboard to outline a "custom-to-production conversion process" model—what it takes to think and build like a production home builder. What we're talking about is a different way of operating—adopting a production operating philosophy. It requires a different way of thinking, each day.

The following is my first pass at what you need to know and specific things to do. I expect it will evolve over time, but it feels right insofar as it lays out the key points of conversion. At a minimum, it's a good place to start.

THE CONVERSION PROCESS

1) Change in strategy. This is far more difficult than most imagine. How do you change the way you and your people think, talk, and act when you've been doing it the same way for 10, 20, or 30 years? Maybe your dad did it 30 years before you? You've been a builder who loves to say, "Sure, we can do that. We can build anything." Such thinking, plus the talk that goes with it, internally with your staff and externally with customers, suppliers, and trades, has driven your approach to home building.

Now it's time to shift the thought process for the entire company to, "How do we sell what we know how to build well and profitably?" Or, better said: How do we guide our customers to willingly buy "portfolio plans," without feeling compromised?

You have some big decisions to make. How far will you go with personalization for the customer? Will you make structural changes? How will you handle options and selections? Will you establish genuine cutoff dates for options and selections and manage the customer to them, as true production building requires? Then, the two toughest questions of all: First, are you willing to walk away from a sale where the customer demands too much customization of a portfolio plan? We call this, "pucker factor." Second, will you build spec inventory to smooth out production and/or have homes ready

for buyers who are ready today? This question affects all six additional elements below.

2) Change in product and design philosophy. In the custom home business, very little if any time is spent planning for efficiency of the building process, either in labor or use of materials. In production building, process efficiency is critical. For example, take a bay or bow window, or a fireplace in a traditional custom home. No one gives a thought to the usual method of kicking the foundation out two or three feet to provide a base for the combination window array or a firebox, but each of the four (or more, in the case of a bay) extra corners adds cost. For a single-story slab, you added at least \$75 for each corner, and for a two-story base-

ment, at least \$200 each. In the production mind-set, you can still have bows and bays and fireplaces, but you keep foundation walls straight, cantilever the extension out from the wall, and set the windows above. You save a bunch of money and it's a rare customer who cares. In production, take your standard plans and for options think, "plug and play." Come up with all manner of great options, but make sure everything interchanges with only minor adjustments and little supervision. Applying this philosophy to every aspect of your home design requires a major shift in thinking.

3) Change in purchasing philosophy. Purchasing of both labor and material is quite a different thought process in production versus custom. With custom building, you run down each individual item and get it ordered and on its way to the building site just in time for the customer to change his or her mind. It's all new, every time, and the ability to reuse specs and pricing from a former project is just dumb luck, if it ever happens. I suppose it's theoretically possible to establish true unit pricing for at least some elements of custom building, but I've never actually seen it.

In production building, you try to make everything as replicable as possible. What will we pay for installation per outlet, per fixture, per sink, per square foot of slabs and linear foot of foundation, cubic yard of concrete, amount and type of insulation, cube of brick, etc., for the entire year or project phase? Find everything you can possibly do to avoid repricing and rebidding each time. Establishing a strong portfolio of "standard plans" enables this. You also need to confront the reality that some trades who usually do custom work can't adapt to the schedule and speed requirements of production building.

4) Change in schedule philosophy. People love to name a process or characteristic of something and declare "THAT is everything." It's especially common in food, alcoholic beverages, and fashion. If I had to declare one aspect of production building

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that meets the standard of “everything,” I’ll go with schedule every time. To consistently get the schedule right over and over, production builders must do a whole host of other things right. Plans and specs must be nailed down, bid packages must be extremely accurate, and start packages must be bullet-proof. The options and selections process must be organized and exact.

Meet those requirements, secure a strong cadre of suppliers and trades, and now your (well-trained) field crew has a fighting chance of staying on schedule. And, of course, all those subs and suppliers will be paid fairly, quickly, and on time—always.

Finally, each member of your team must understand the true value of a schedule day, and so must you. Don’t feel bad, almost no other custom builders do, either. But you can learn.

5) Change in field management philosophy. This flows directly from schedule. A production builder’s field crew must manage the building of a high-quality home that stays on schedule through each phase of the building process. In addition to the continual daily focus on schedule, this requires exceptional “care and feeding” of labor crews. Building strong relationships that take nothing for granted is key to not just get trades to your sites, but to get the best crews. Today, it’s priority No. 1.

Also—and this makes all the difference—clean building sites aren’t a luxury but an essential, unless you want to fail in a prospective buyer’s eyes. Finally, proactive care of both customers and other external relationships, such as city inspectors, is a must. Never assume a field manager you hire from another builder understands what’s required and how to apply it. Leave none of this to chance.

6) Change in sales philosophy. This is as simple in theory and as difficult in implementation as committing to “sell what we have.” Many custom building salespeople can’t make this transition. Anyone whose strategy is to give customers whatever they want to make the sale will find it difficult to adapt to “manage them to buy what we offer.” Worse yet for the aspiring production builder is the salesperson who loves HGTV and truly enjoys helping customers design their homes. There’s a market for that, of course, and if you want to stay full custom, go for it. Otherwise, you have some salesperson training, coaching, and possibly some replacing to do. It’s not their fault if some can’t adapt to a new way of thinking and selling. You’re changing the puzzle on them, and it may be their pieces no longer fit.

7) Change in land and lot philosophy. Although the land piece comes at the beginning of the production building process, for learning purposes it works best placed at the end of this list because understanding the first six points will drive your land/lot purchases. Some custom builders find their own lots for at least some of the business, then often wrestle with

customers to design a house that fits the lot requirements. When you develop a portfolio of standard plans, you can readily specify requirements for building lots that will, and will not, work for each. Thus, whether you buy lots yourself or your customer walks in the door with one, you can quickly determine fit.

Production builders continually struggle with this. A great deal—price, terms, location—walks in the door. Everyone’s excited. “Look at this! Forty-two 100-foot lots, and Northville schools!” Now, what do we build on those lots that we know how to build well? “Hmm, let’s take the Bristol II series, turn the garages, add a master-down and a third-car garage option.” Should you find yourself

having a similar conversation, you’ve put the proverbial cart before the horse.

KEEP IT SIMPLE

In the shift from custom to production, one essential to each step mentioned above is simplification. Continually challenge yourself and your staff to ask: “How do we simplify this?” And I can assure you, getting the simplification ideas right and implementing them is harder than it sounds.

Finally, don’t forget to ask the “Will we build spec homes?” question for each of the points listed above. There’s profit in spec homes—and risk.

I have a strong feeling I’m not done with this model, and perhaps feedback from some of you will help to flesh it out. How about right now, before you get distracted by other demands of your job, shoot me an email at scott@truen.com and tell me what I missed, or what could be better or further defined? A great follow-up column would be “From Custom to Production—Advice From Builders That Found Success.”

If you have such advice from your experience—specifically what worked and what didn’t—please send that to me as well. Finally, if you are a full-custom builder who is completely happy doing what you’re doing, then good for you. The industry needs those who fill that niche, and a certain segment of homebuyers simply will not have it any other way. Just try to keep those schedules to under 18 months! **PB**

Scott Sedam is president of TrueNorth Development, a consulting and training firm that works with builders to improve product, process, and profits. For a link to a PDF download of this article and to request Scott’s column collections on other topics, email your request to info@truen.com. You may reach Scott at scott@truen.com or 248.446.1275.



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RECOVERING FROM THE WRECKAGE

BUILDERS ARE REINVENTING THEMSELVES
IN AN EFFORT TO PUT MARKETS BACK TOGETHER
AFTER NATURAL DISASTERS

BY JOHN CAULFIELD, SENIOR EDITOR

In mid-December, Synergy Communities by Christopher-son, a developer and general contractor that started 35 houses in 2017, opened its Rebuild Center out of a sales trailer in the Coffey Park neighborhood of Santa Rosa, Calif., where wildfires destroyed 1,500 homes in October.

The four fires that ripped through Sonoma County in Northern California that month destroyed 8,400 homes and other structures, causing some of the worst damage in the state's history. Synergy is one of several local builders that are now actively involved in rebuilding Sonoma County, which by some estimates could take as many as 15 years to complete. Santa Rosa alone lost 5 percent of its total housing stock.

Rebuilding and repairing after natural disasters—fires, floods, high winds, earthquakes, mudslides—is different from new construction. It's more like custom remodeling, with each homeowner having a different level of equity, insurance, budget, and commitment. And while there are exceptions, production builders generally see their post-disaster roles as being more philanthropic than repair- or rebuilding-oriented.

"We don't employ trade crews directly, so we have a limited opportunity to facilitate repairs," explains Jim Zeumer, PulteGroup's VP of investor relations and corporate communications.

Taylor Morrison is looking at possibly acquiring "a well-located community" with 15 to 20 lots to build in markets disrupted by disasters, says Alan Laing, executive VP of operations. But



Wildfires in California this past fall left several regions reeling. The lion's share of rebuilding is being done by small builders.

he concedes that production builders “aren’t set up to handle custom rebuilding.” Laing also notes that it would be difficult to find trade labor for rebuilding, on top of what Taylor Morrison needs for its existing backlog.

As a result, small and midsize builders and contractors do the lion’s share of disaster rebuilding and repair, including helping displaced homeowners locate construction documentation for insurance claims and rebuilding permits, and dealing with adjusters whose rebuild cost estimates, say many builders, rarely reflect reality.

But don’t expect these builders to be pioneers in resilience. Despite evidence that natural disasters are increasing in frequency and intensity, most builders say they aren’t going

beyond what local building codes or the Federal Emergency Management Agency (FEMA) require, at least in part because of cost and time constraints.

A look at three markets—Santa Rosa, Calif., Houston, and Baton Rouge, La.—shows how builders in these locales are responding to natural disasters.

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SANTA ROSA, CALIF.

– October 2017: The Tubbs Fire engulfed more than 36,000 acres
– More than 5,500 structures were damaged or destroyed

|||||

About two and a half years ago, Lenox Homes, a Lafayette, Calif.-based builder, started a 32-home subdivision in Santa Rosa. By some miracle, and despite two evacuation alerts, that subdivision was spared during the fires. “It was total chaos,” recalls Lenox president Daniel Freeman.

In the aftermath, Lenox Homes suspended its normal sales and offered the 17 homes and two models in its inventory to those who got burned out of their houses. Within three days, Lenox had received 200 inquiries. Half were from investors. Lenox decided to sell only to displaced people, and over the following seven to 10 days started contacting prospects. Freeman says the homes should be completed by this spring.

Freeman also met with Santa Rosa’s economic development department about Lenox helping with future rebuilding

and has met with homeowners associations about rebuilding clusters of burned homes using a limited number of floor plans,

“IT WAS TOTAL CHAOS.”

—Daniel Freeman, Lenox Homes

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like a production project. One HOA is fully insured and all of its owners have “complete losses,” Freeman says, so there wouldn’t be disputes with insurers about replacement costs.

Freeman says the Santa Rosa community is united on rebuilding, spearheaded by its assistant city manager and director of planning and economic development, David Guhin. But, he adds, “there’s a long row to hoe ... A lot of subs are gone.”

LOCATING OLD CONSTRUCTION PLANS

Gateway Builders, another general contractor in Santa Rosa, is rebuilding burned homes constructed by Petaluma, Calif.-based Cobblestone Homes in four subdivisions in Santa Rosa’s Fountaingrove community. (Matt Watson, Gateway’s president, is the son-in-law of Cobblestone’s president, Joseph Keith.) Fire destroyed about 1,200 of those homes, which Cobblestone had built during the late 1990s and early 2000s. Watson says many owners there want to customize

and update their damaged houses, “so each project is unique in its redesign.”

The city of Santa Rosa had construction plans on file for just one subdivision. Fortunately, Bassenian Lagoni Architects, a Newport Beach-based architectural firm that had designed 1,000 homes in Fountaingrove’s subdivisions, had archived the construction plans and has been providing PDFs to homeowners. The firm hired Michael Rupard, a former assistant director of architecture for Toll Brothers, to manage what has become a completely new business for Bassenian Lagoni: to turn around plans for each homeowner within seven days for insurance and permitting purposes. “A lot of people in our company remember these homeowners and have been working nights and weekends to provide them with the plans,” says Jeff LaFetra, Bassenian Lagoni’s president. The city of Santa Rosa has smoothed the permitting process by allowing homeowners to make changes to their homes’ interiors as long as the footprints and elevations remain the same.

ADJUSTERS UNDERESTIMATE COSTS

Gateway’s Watson expected reengineered plans to be ready by January 2018 and for work to start soon after. He has been approached by a local credit union about offering a loan program that would provide 90 percent of the appraised value of the house. A bank is interested in putting together a construction-to-permanent mortgage plan for owners wanting to rebuild.

The biggest impediment to rebuilding, Watson says, is adjusters whose estimates “are well below what it would cost to rebuild the house.” Gateway hired its own independent adjuster, as “everything is a negotiation” with insurance companies. But delays may be too much to bear for some homeowners: Watson thinks that 20 to 30 percent will choose not to rebuild and will just sell their lots.

Eric Keith, co-owner of NorthBay Environmental, a Santa Rosa-based contractor that specializes in insurance restoration work, was once an adjuster himself. He says post-fire adjuster estimates have been coming in at around \$180 per square foot. “Maybe if we were in North Carolina,” he says, “but in Northern California, no way.” He adds that rebuilding costs are more likely to be nearly double that.

NorthBay is focusing on Miramonte, a neighborhood in Santa Rosa where 58 of its 65 homes were reduced to ash. The company has formed a new division, Sonoma County Builders. Eric and his brother, David, asked their father, Ed, to come out of retirement to manage the reconstruction effort.

From its Rebuild Center, Synergy Communities by Christopherson is offering 14 floor plans ranging from 1,120 to 2,150 square feet, says partner Brian Flahavan. The Rebuild Center also offers free insurance claim guidance and rebuild assessments and will buy lots from owners who decide to sell.

Synergy is also selling 30 new homes in Coffey Park that should be completed by this spring and summer.

Flahavan says his company isn’t so concerned when a burned home’s original plans aren’t available. “We’re not using them anyway; the houses were 30-plus years old,” he says, and need to be brought up to code. His intention was to start eight homes per month and eventually get up to 16 per month. He says most owners in Coffey Park are adequately insured, but it all depends what insurers allow to get owners as close to recovery value as possible.

HOUSTON

– August 2017: Hurricane Harvey drops nearly 52 inches of rain

– \$125 billion in damage; more than 120,000 homes damaged or destroyed

– Just 15 percent of Houston homeowners have flood insurance

– Many homes destroyed were outside of mapped floodplains

A recent analysis in the *Los Angeles Times* of the wreckage caused by Hurricane Harvey divides Houston’s housing into two eras: pre- and post-1985. That was the year when the city and surrounding Harris County started requiring homes to be built above expected flood levels. The “pre” homes, which currently number around 3 million in the county, have consistently been the most vulnerable to storm flooding, and in Houston, Hurricane Harvey was the third 500-year flood in three years. The “post” homes, especially those built after 2007, have pretty much escaped serious flood damage.

Because flood-related construction standards were changed after Hurricane Alicia hit Houston in 1983, “only 3 percent of ‘newer’ homes have been flooded, and the newer master planned communities weren’t flooded at all,” says Will Holder, former president of Trendmaker Homes.

“The first litmus test is consumer confidence. It’s hard to sell in a flooded community without an engineering solution,” observes Laing of Taylor Morrison. In mid-January, the builder was negotiating to buy a parcel of land in Houston, and due diligence included satellite photos of the property before and after flooding. “We have no interest in building where there’s [persistent] flooding,” Laing says. “There’s no gain in that.”





Some Houston builders have joined forces to help those who were displaced by flooding and damage from Hurricane Harvey.

None of David Weekley Homes' Houston-area houses were flooded by Harvey. Still, the builder is trying to help. Weekley donated \$1 million to the nonprofit HomeAid Houston to start BuildAid, through which Weekley and three other companies—Trendmaker, Taylor Morrison, and Partners in Building—are contributing project management and purchasing services, at no profit to the builders, says David Weekley, chairman of David Weekley Homes.

Weekley says this consortium is offering to rebuild houses for about \$35,000 less than market cost, with quality finishes. Holder adds that BuildAid is offering to arrange financing: 30-year loans at 0 percent.

Lennar committed \$500,000 to BuildAid, and Taylor Morrison and Perry Homes each kicked in \$250,000. BuildAid's goal, says Weekley, is to raise more than \$5 million in rebuilding grants. As of mid-January, BuildAid had completed its first home and had received between 12 and 15 applications for aid.

LOWER-PRICED PRODUCTS ATTRACT FLOOD SURVIVORS

Trendmaker, which closed 506 homes in 2017, pushed 30 deliveries into 2018 due to flooding. To assist flooded-out homeowners, Trendmaker established a Hurricane Harvey Assistance

"IT'S HARD TO SELL IN A FLOODED COMMUNITY WITHOUT AN ENGINEERING SOLUTION."

—Alan Laing, Taylor Morrison

Fund with money raised by employees and matched by parent company Tri Pointe Group, which also donated \$200,000 to the American Red Cross' hurricane relief efforts.

Holder says most of the homes BuildAid will rebuild will have been stripped to their studs, so they'll require new plumbing, electrical, drywall, flooring, cabinets, windows, doors, roofing, and

paint. The homes won't be expanded. Holder believes there is "enormous will" within the Houston community to rebuild sustainably and that builders there are open to any solution that helps keep houses dry.

Rain could be a precursor to brighter days for Frankel Building Group, a Houston high-end custom and semi-custom home builder that annually closes between 16 and 27 units. For years, customers had been asking for less-expensive homes. In September, Frankel announced the launch of BuildFBG, a sister company that will focus on 3,600-to-5,500-square-foot homes from 10 to 13 of Frankel's most popular house plans. BuildFBG will use the same trades as Frankel and will build homes for \$35 to \$40 per square foot less.

As of late January, BuildFBG had written 14 contracts. Most of the customers are flood victims whose houses had been flooded once or twice, says copresident Scott Frankel. “Our decision to expand into semi-custom homes wasn’t flood-related originally; it just worked out like that,” says Scott’s brother and copresident Kevin Frankel. BuildFBG will handle demolitions—it had 15 in the works at the beginning of this year—but it won’t get into water-damage restoration, preferring to stick with building new homes.

|||||||

BATON ROUGE, LA.

- August 2016: Massive flooding
- Per FEMA, more than 41,000 residential structures destroyed
- Flooding damaged nearly 21,000 homes in nearby Livingston Parish, half of its housing stock

|||||||

Some 72 percent of buildings in Denham Springs, La., were damaged by the 2016 flood, including the headquarters of DSLD Homes, one of Louisiana’s largest production builders. DSLD rebuilt its office, but like most production builders in the state stays away from flood-related rebuilding of houses, CEO Saun Sullivan says.

The reconstruction of Baton Rouge was mostly left to smaller contractors such as Clinton, La.-based Carroll Construction, which has been in business for 25 years and builds between five and 10 homes per year. In response to the 2016 flooding in Baton Rouge, the builder took on a dozen repair projects, one of which called for raising a house 8 feet 8 inches.

“We had to reinvent ourselves because flood remediation is nothing like a regular remodel,” says Robert Carroll, the builder’s co-owner. He says work often requires mildew and mold remediation, as well as removal of demolition debris; jobs that hadn’t been in Carroll Construction’s wheelhouse.

“We also had to figure out what we didn’t know,” in complying with FEMA rules, Carroll says. For example, a home can’t be repaired if the cost is more than 50 percent of the assessed value of the house. Carroll notes that in some communities, adjusters weren’t giving owners the reappraisal number they needed to reach that threshold, “so a lot of people were left doing the work themselves or paying for it out of pocket.”

Carroll says that “just about everybody” underestimated how much damage the floods caused. Carroll Construction was charging between \$40 and \$55 per square foot to repair a flooded house, excluding the cost of restoring air conditioning. Carroll regularly ran up against trade labor shortages and had a hard time finding building materials such as wood trim.

TAKING CUES FROM PAST DISASTERS

Before his company started doing repair work, Carroll consulted builders in New Orleans who had gone through flood ordeals. One of those was Randy Noel, cofounder of Reve, in Laplace, La., and this year’s National Association of Home Builders chairman. Noel says that the most important thing after a flood event is getting “wet stuff,” such as soaked dry-wall, out of the house as quickly as possible. Lumber must be dried to 17 percent moisture level and treated for mold before repairs or renovation can commence.

Finding reliable door and window suppliers gets tougher after markets are flooded. Too often, Noel cautions, homeowners are overly optimistic about what insurance will cover, so it’s important to make sure they have sufficient cash up front for the repairs and upgrades they want.

Reve did about 20 demolitions and rebuilds in New Orleans after Hurricane Katrina. Noel recalls a constant battle with FEMA over reimbursements. If everything went as planned, an owner could expect to be back in a house that had been flooded within four to five months, although it took Reve a year or more to complete some projects. He also gave flooded-out homeowners

a path to relocate by buying lots in St. Bernard Parish, southeast of New Orleans, and building 40 new homes there.

Natural disasters can open up business opportunities, and growing scientific evidence suggests that climate change caused by human

emissions is increasing the risk of extreme weather events. It’s also projected that by 2100 up to 13 million Americans will be living in coastal regions vulnerable to rising sea levels. But post-disaster rebuilding requires a major commitment that can disrupt a builder’s workflow. Rebuilding is complicated by labor and materials shortages that worsen when hundreds or thousands of houses are damaged or destroyed by fires, floods, earthquakes, or high winds. Getting paid for rebuilding can turn into a prolonged wrestling match with adjusters and insurers.

Is post-disaster rebuilding and repair worth the hassle? It’s heartening to see how many builders have gotten involved in a variety of different ways, motivated by a sense of civic duty. A number have also set up separate businesses to handle rebuilding and repair projects. By doing so, they’ll be better prepared when disasters strike again. **PB**

|||||||

“WE HAD TO REINVENT OURSELVES BECAUSE FLOOD REMEDIATION IS NOTHING LIKE A REGULAR REMODEL.”

—Robert Carroll, Carroll Construction

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For more on disaster rebuilding, go to probuilder.com/disaster-recovery.



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- NOVEMBER** Contemporary Designs
- DECEMBER** Single-Family Homes and Neighborhoods for Rent

Our yearly look at projects in progress from the *Professional Builder* House Review design team

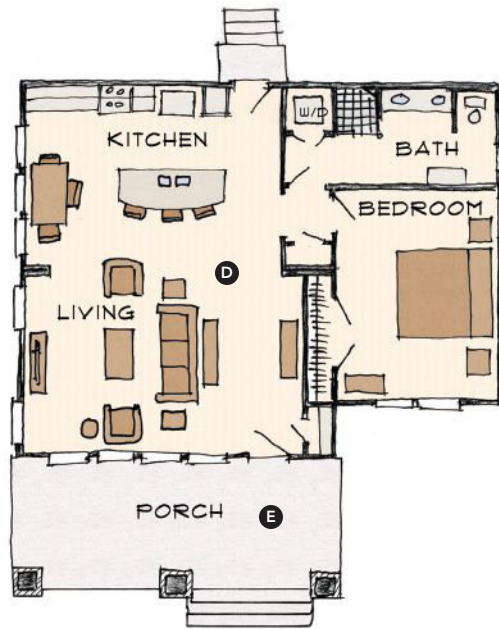
By Larry W. Garnett, FAIBD, House Review Lead Designer

Every year we ask members of our Design Team to share with us projects that are in design development. For some of us, this means the project is still (literally) on the boards, as we continue to adjust our sketches and concepts with our pens and pencils on tracing paper taped to our drawing board. For others, these early designs have been created on a computer, using software that, in some cases, makes the renderings appear to be authentically hand-drawn.

In some ways, this is my favorite House Review theme because it allows us to present projects that we really like, regardless of whether they may ever be built. (If they are built, there's a good chance they will be changed during the value-engineering phase—that's just the reality of the design/build process.) But for now, take a look at some of the team's latest design ideas, complete with all of the details, materials, and colors we've imagined for them.



Designed for homeowners who want to downsize and simplify their housing needs, this concept can achieve a density of 9.57 cottages per acre. The 960-square-foot one-bedroom plan features an open living/dining/kitchen area and secluded bedroom. The deep front porch, which overlooks a common courtyard, extends the living space outdoors. Because of the need for extra storage when downsizing, each resident has a personal storage room in a building that also provides a porch where neighbors can gather.



SMITHVILLE COTTAGES

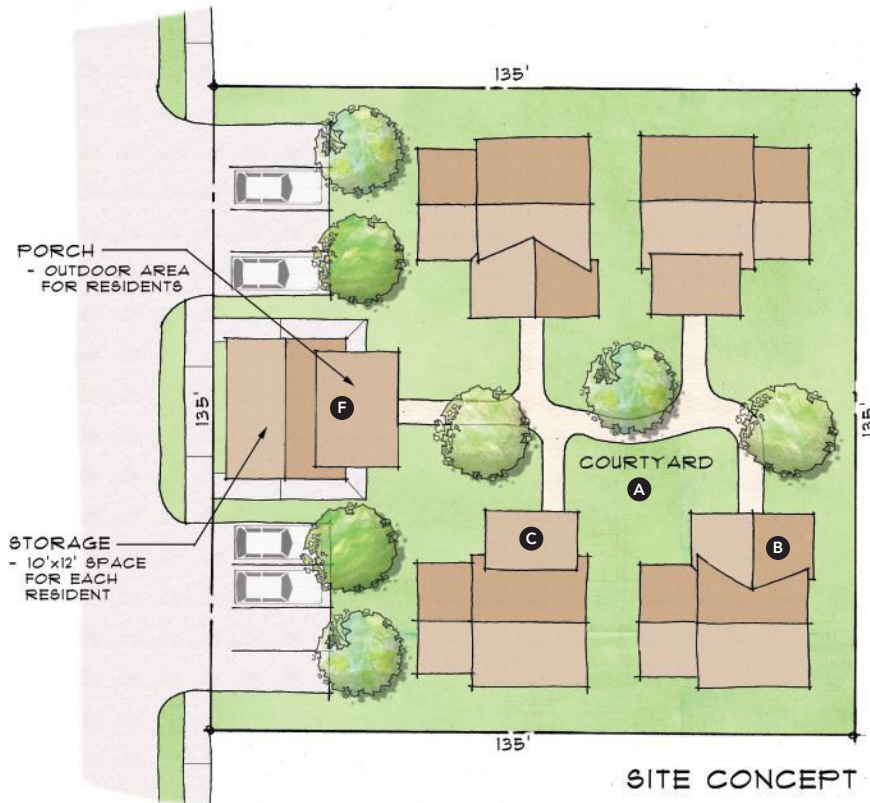
DESIGNER

Larry Garnett Designs
larrygarnett@larrygarnett
designs.com
254.205.2597

PLAN SIZE

Width: 36 feet
Depth: 38 feet
Living area: 960 sf

- A** Each cottage overlooks a landscaped common courtyard
- B** Traditional elevation features Craftsman-style porch columns and details
- C** Transitional elevation offers a combination of stone, siding, and metal cladding
- D** Open living, dining, and kitchen
- E** 10-foot-deep front porch overlooks courtyard
- F** 10-by-12-foot storage rooms for each resident, along with a large front porch/gathering space



THE SAINT JAMES

DESIGNERS

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 919.320.3022
 Donnie McGrath
 donnie@gmd
 designgroup.com
 770.375.7351

PLAN SIZE

Width: 70 feet
 Depth: 56 feet
 Living area: 4,166 sf



Working with Envision Homes, in Raleigh, N.C., GMD Design Group designed this house to meet the needs of the luxury buyer. Indoor-outdoor living is a primary feature of this home, which has three covered porches and an open patio. On the exterior, the modern farmhouse style exudes warmth and a sense of welcome that's lacking in many luxury homes.

- A Large front covered porch
- B Guest suite on the main floor
- C Spacious owners' suite with private covered porch
- D Great room, kitchen, breakfast, and morning rooms are all interconnected, with abundant natural light
- E Rear covered porch for indoor-outdoor living
- F Motor court with two-car attached and single-car detached garage
- G Second-floor game room
- H Three bedrooms on second floor
- I Large walk-in storage spaces



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Circle 774

**TRIO COLLECTION AT VIVANT,
PLAN 3**

DESIGNER

KGA Studio Architects
John Williams
jguilliams@kgarch.com
303.442.5882

PLAN SIZE

Width: 87 feet
Depth: 66 feet
Living area: 6,055 sf

This collection targets a niche in the marketplace for production homes on large lots of approximately 1.5 acres each. The homes feature cutting-edge elevations and equally innovative plans, with a plethora of options for customization. Flexible spaces are designed to evolve to meet a growing family's needs throughout the years. Wellness was kept top-of-mind when designing this series, using a prototype wellness program developed in partnership with KGA and Trio Environments, a Denver design firm. The wellness program embodies leading industry standards in energy efficiency, sustainability, wellness, and life-cycle design principles.



- A** Main living spaces are arranged in an open L-shape. Optional corner-meet sliding glass door creates seamless indoor/outdoor connection
- B** Spacious outdoor living area with outdoor kitchen
- C** Main-level flex space, perfect for a home gym or office
- D** Main-level bedroom can be optioned into a multigenerational suite with private entrance
- E** Floating staircase is an iconic element of the front elevation
- F** Family center has plenty of space for planning, organization, and homework and is easily closed off to hide clutter
- G** Option to turn second outdoor living area into project room
- H** Spacious master suite with two-person spa shower and private master deck
- I** Lower level is great for casual entertaining, with a walk-out covered patio and plenty of space to host movie or game nights

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Circle 775

[HOUSE REVIEW]

MONTE VISTA HOUSE

ARCHITECT

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PLAN SIZE

Width: 36 feet, 6 inches
Depth: 44 feet
Living area: 2,700 sf

This home is designed for an infill lot in an established downtown neighborhood. The goal is to maximize allowable square footage and take advantage of a southern exposure for solar access. As basements aren't counted in city zoning, it was decided to incorporate one in the design.



- A** Great room spans the rear of the house, with windows on three sides and a clerestory above
- B** From the game room's center, a bridge spans the basement light well, linking the house to the rear yard
- C** Mechanical room is tucked into the windowless corner of the basement, with a chase venting to the roof
- D** Volume ceiling over great room is topped by solar panels. North side has clerestory windows above the adjacent roof
- E** Master suite is two steps up from the rest of the second level, allowing for higher ceilings in the kitchen and dining areas
- F** Study or play area is adjacent to upper-level secondary bedrooms
- G** Secondary bedrooms are on the upper and lower levels, with a bath for bedroom 4 serving the game room
- H** Large laundry room has outside access, with a wall of pantry cabinets for kitchen and linen storage



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Circle 776

[HOUSE REVIEW]

THE PEARL AT SAN JUAN CAPISTRANO, PLAN 3

ARCHITECT

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925.251.7200

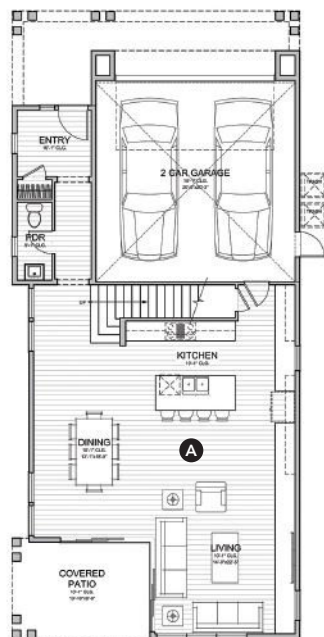
PLAN SIZE

Width: 37 feet
Depth: 87 feet
Living area: 3,037 sf

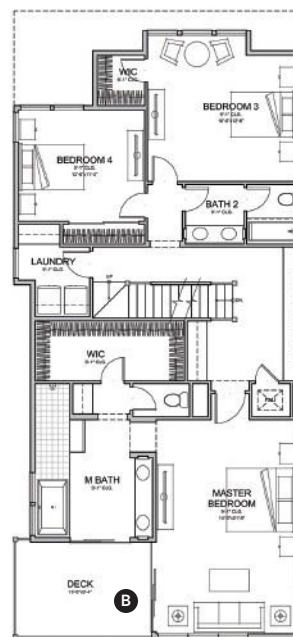
- Ⓐ Modern, open floor plan with covered patio
- Ⓑ Second-floor deck off master bedroom takes advantage of ocean views and enhances the master suite
- Ⓒ Third-floor bonus room provides additional living space
- Ⓓ Spacious roof deck for outdoor dining, entertaining, and relaxing



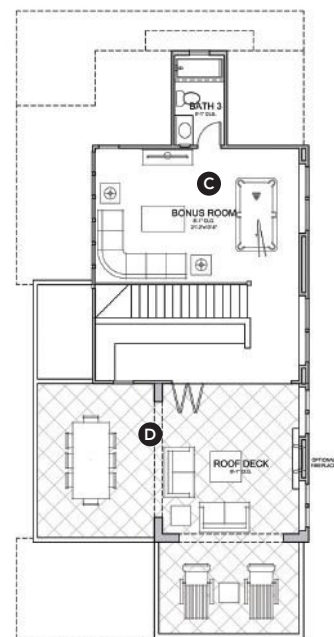
Plotted as detached condos, this community of three-story single-family homes is on a sloping hilltop site with 180-degree ocean views overlooking Dana Point. The community is a mix of standard and zipper-lot forms, typically used to gain density, but instead used here primarily to give every home an ocean view. The community features two variations of a farmhouse elevation with subtle contemporary elements, such as the use of glass to take advantage of the views. The third elevation, a Cape Cod design, is the least transitional elevation of the three. Because there are three plans and three elevations, at most you may get one or two that repeat on any given street, creating a diverse streetscape. Chosen for their steeper roof pitches, these elevations allow for the addition of the third floor, with many plans featuring third-floor roof decks to capitalize on ocean views. Other plans capture the view by setting the main living area on the second floor. Thoughtfully crafted contemporary design maximizes views and results in a compelling marriage of site characteristics and architecture.



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[PRODUCTS: WINDOWS]



IMPACT-RESISTANT

Sparta impact-resistant windows from **CGI Windows & Doors** are manufactured with powder coat paint, corrosion-resistant hardware, and standard stainless steel assembly screws. Standard features include: monolithic laminated glass in a variety of coatings; frame depth of 2 inches with a 1/2-inch front flange; a design pressure rating up to +55/-65 psf; and Florida product approval for high-velocity hurricane zones. **For more info circle 811**



DECORATIVE GLASS

Metalist Doorglass, a decorative door glass line from **ODL**, features laser-cut aluminum panels between layers of clear and textured glass. Glass is available in five distinct patterns with six glass options and three metal finishes. Eight size options for standard doors or doorlite spaces are available, as well as Severe Weather door glass options. **For more info circle 814**

HURRICANE-SAFE

H3 FeelSafe casement and double-hung windows from **Sierra Pacific** combine the look of a wood window with a PG +50/-60 Wind Zone III rating. The design integrates extruded aluminum, vinyl, and wood to improve energy efficiency and performance. Double-hung sizes go up to 48 inches wide by 84 inches high, and casement size options go up to 36 inches wide by 84 inches high. Several insulated impact glazing and design options are available. **For more info circle 810**



DARK AND GRAY COLORS

Inspired by Pantone color trend forecasts, **Ply Gem** offers its 1500 Brickmould Vinyl Collection in Black and Dark Bronze exteriors, with a Dove Grey color option launching later in 2018. Selected colors are consistent throughout the product. Options include a variety of frames, grilles-between-glass, and Energy Star and Sound Transmission Class glass packages. The collection is backed by a limited lifetime warranty (15-year warranty on coextruded capstock). **For more info circle 812**

WINDOW WALL

The Series 7630 Window Wall from **Western Window Systems** is designed for durability, energy efficiency, and customization compatibility with Series 7000 sliding doors and future door and window products. The window wall's proprietary aluminum design aims to reduce energy consumption. A split-finish option for interior and exterior appearances is available with standard and high-base sill options. **For more info circle 813**





GARAGE GLASS

New decorative glass is available for Haas Door's aluminum and steel garage doors. The Decorative Glass Collection features Prairieview, Emerald, and Modern Craft (shown) design styles in a choice of four types of glass. The windows are available to order for garage doors in the following residential product lines: 5000 Series, 2000 Series, 700 Series, 600 Series, 2400 Series, and 2500 Series. **For more info circle 816**



NEW COLOR

Dark Bronze is the latest color choice Andersen is offering for its replacement windows with interior and exterior options. The company's Renewal manufacturing process fuses the color into Andersen's proprietary Fibrex material, offering a variety of colors designed to last long-term. Andersen also has 48 color combinations and 11 hardware finishes available. **For more info circle 817**

HURRICANE CERTIFICATION

Kolbe Windows & Doors' Ultra Series beveled direct set windows and doors are now high-velocity hurricane zone-certified in both single-glazed and insulated versions, as well as with steel-reinforced and non-reinforced mulls. The new line is available with IPD4 impact certification.

For more info circle 815



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Circle 778

PRODUCTS: DECKING



NEW COLOR

Deckorators has added a third color choice, **Ciderhouse**, to its popular **Heritage** line of composite decking. With a light brown hue and distressed embossing, **Ciderhouse** has the rustic look and feel of distressed hardwood. The decking is available in 12-, 16-, and 20-foot solid and slotted-edge profiles, along with fascia. Boards are covered by **Deckorators'** 25-year structural, stain-and-fade, and removal-and-replacement limited warranty. **For more info circle 819**



ADHESIVE

Tytan Subfloor High Yield Adhesive is formulated for installing OSB, plywood, treated lumber, composite decking, and many other popular construction materials in a variety of applications, including manufactured and modular housing. It is HUD tested for shear-wall, non-shear wall, and floor applications, and meets ASTM D3498 requirements. The adhesive prevents floor squeaks, works in hot or cold temperatures on wet or frozen surfaces, and is solvent-free. **For more info circle 820**

ALUMINUM ROD RAIL

Signature Aluminum Rod Rail from **Trex** offers a commercially inspired design for residential applications, providing the view-optimizing benefits of cable railing.

With a choice of three color combinations: Black/Platinum, Bronze/Platinum, and Black/Black, Rod Rail can be customized with cocktail top-rail options. It comes in complete kits in 36-inch and 42-inch heights in 6-foot and 8-foot lengths and is backed by a 25-year limited warranty.

For more info circle 822



COMPOSITE DECKING

Available in three colors, **Green Bay Decking's** Optima Deck has the densest substrate in the industry, the lowest moisture absorption of any composite or PVC decking material, and the highest stability in extreme freeze/thaw cycles, the manufacturer says. The proprietary dual-embossed finish offers a wood look with a slip-resistant surface. **For more info circle 818**



DECK AND TRIM BOARDS

MoistureShield's Vision deck and trim boards are manufactured to create a modern, variegated appearance. Vision decking is available with or without **MoistureShield's** CoolDeck technology, which optimizes heat reflection so that boards absorb up to 35 percent less heat than conventional capped composites in similar colors. Vision deck boards are backed by the **MoistureShield** transferable lifetime warranty. **For more info circle 821**





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Circle 790

Stephen Kim's thoughts on leverage, land value, and loose credit in the recovery



Stephen Kim
Senior
Managing
Director
Evercore ISI
New York

There's a sentiment that because the tight supply for labor and land constrains home builders from building as many houses as demand warrants, the economic downturn, when it comes, will be a mild one. Stephen Kim isn't one to say the sky is falling, but the senior managing director for Evercore ISI's Building and Builder Product Equity Research isn't so sanguine about the ride through the next recession being a soft one. He notes that publicly traded home builders are more land-leveraged than they were just before the Great Recession. Also, the notion that loan defaults during the next downturn wouldn't be as severe because credit is tighter this time could be a fallacy, considering that the percentage of homeowners who bought houses in affordable price ranges with less than a 5 percent down payment is greater now than in 2005. Kim has more observations about the current recovery cycle and the impact of tax reform on land value.

Q You noted that the top public builders haven't become asset-light compared with where they were regarding land ownership and options before the recession. What's your take on land spending as a percentage of revenue?

A Essentially, what we have observed is that builders have been talking a lot about becoming more land-light, but their actions speak louder than their words. A couple of things I would note are that if you look at the amount of land builders own today relative to prior periods, you would actually see that builders own more land than they did in prior cycles, not less. What's also interesting is that the amount they spend as a percentage of their revenue has actually been increasing. After falling from the unsustainable heights they reached in 2012 and 2013, those land-spend levels, as a percentage of revenue, came back last year to the industry average. But now they've actually started to nose back up again.

My point is that if you're making a call that the builders are substantially more asset-light, you have two main problems: One is that they're not more land-light, they're more land-heavy than they were, and secondly, they're not spending less, they're spending more. It's like when you're on a diet; if you want to lose weight, you have to eat less. Well, the builders here, if they want to get the ownership down, they have to buy less, and they're not doing that. That was the one-two punch that we were seeing on the land side.

Q Does it make a difference if builders control the land but they don't actually own it?

A It would if it led you to a different conclusion than what we arrived at. One of the things we'd heard was that builders were saying that they are optioning land. They were saying

they're land-light. But they are actually land-heavy.

In particular, one of the things we've heard is, "Oh, the builders want to option 50 percent of their lots." We said, "All right. That's great. Let's take a look at history." What you find is that throughout almost the entirety of the mid-1990s to the mid-2000s—the latter half of the last cycle—optioning 50 percent of lots was totally the norm. There's nothing unusual about optioning half of your lots. You would absolutely not say that makes this industry different from what it was in the past. It doesn't.

The second thing we point out is that it doesn't really matter what percentage of your lots you option. What matters is how much land you own. So let's say you option 90 percent of your lots, but you own 10 years. Does the fact that you have a 90 percent option ratio make you less land-heavy? No, you own 10 years of land. It's the wrong metric to begin with. But even if you look at the metric, you would see that there's nothing special about it.

Q Would that lead you to say that the industry hasn't learned its lesson?

A I think it's worse. It's not that builders don't see the risk inherent in owning land. It's that they don't have a choice. One of the things builders will readily admit is that, unlike in the previous cycle, there isn't a large stable of land developers that have the ability to hold land for builders.

For the complete interview with Stephen Kim, see probuilder.com/skim



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