

MAY / 08

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ANNUAL REPORT
HOUSING'S GIANTS

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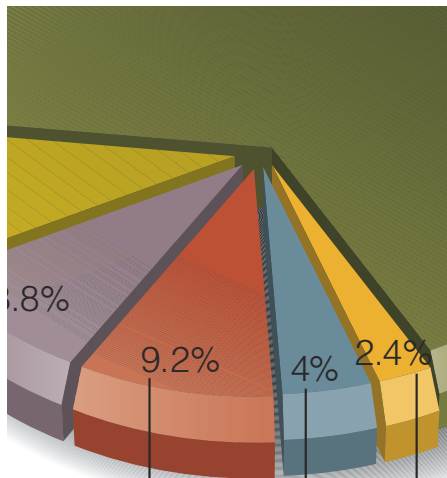
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Greed Steps Back In

New speculators on foreclosed properties are bringing the aura of greed back into the market.

There are a lot of reasons the housing market went into a huge slump. As with any cataclysmic downturn, there are several forces that worked in concert to create the worst downturn in anyone's memory. But if you had to put your finger on just one thing, you could jab into the time-tested idea of greed.

Buyers wanted more house than they could afford. Sellers wanted buyer wars and quick sales. Homeowners wanted to extract equity to pay off debt or build larger homes. Speculators wanted a run-up in price. Builders, land developers, trade contractors and others wanted to take increased profits and higher returns on investment. Lenders wanted to sell more loans. Mortgage markets wanted to play in the high-stakes, high-yield game of risky mortgages.

At every step of the way, it was as if people were squinting tight their eyes and looking at the business decision they had to make with a distorted view, hoping that it would all work out. That hope rested on a need for home prices to continue to climb. It was — as we all now know, and people did know then but chose not believe it — that the hope was false hope. Home prices fell. It was inevitable.

At every step, we had a bit of greed driving us, and it is dismaying to see the same force come back into the market. On morning news shows and in newspaper real-estate sections, you can find experts explaining how to buy foreclosed properties and the financial benefits (as well as danger) of speculating on such properties.

Apparently, we didn't learn anything.

This is the housing market, but speculators are trying to try to take the same elevator ride they did with dot.coms or commodities. The speculators get on the elevator at a price they think is low, and they get off when they think it's topped out. They don't really care about the elevator at all, other than it's a vehicle for them to maximize their investment. Do

we really want housing dealt with in the same way we do commodities?

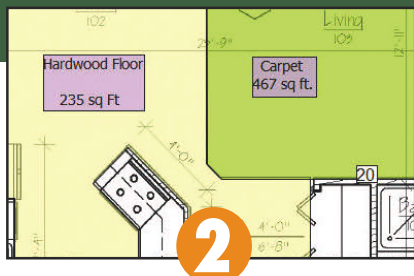
The effect is we end up commodifying something that has an essential value in our lives, a value that extends well beyond financial well-being to psychic and physical well-being.

So, what do we do? The only solution is to avoid our own greed and not take profits. Maintain an even control of our own pricing, not try to do our own profit taking. Take greed out of the equation and remember we build houses that will last for years, not the length of an elevator ride.

We build houses that will last **for years**, not the length of an elevator ride.

Paul Deffenbaugh, Editorial Director
paul.deffenbaugh@reedbusiness.com

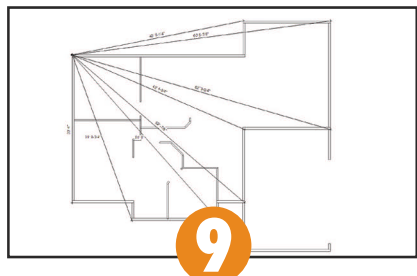
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Professional Builder®

VOL. 73 NO. 5

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LIGHTS OUT

Our “Annual Report on Housing Giants” shows the details of what we all knew: 2007 was a year of change in the housing industry, and not for the better. This year’s report shows who is suffering – and who had some surprising success stories.

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Paul Cardis on successful surveys [page 15]

Build for a good cause [page 17]

Watch out for the turnaround! [page 17]

41st Annual Giant 400 Report [page 20]



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[CUSTOMER SATISFACTION]

Getting the Survey Right



Deciding among research vendors? Read these tips to snag a good survey that has the appropriate respondents and methodology.

By Paul Cardis, CEO, Avid Ratings Co.

Without a doubt, there is an art and science to executing meaningful surveys that belie conventional wisdom. For example, most people assume that the higher the response rate, the more reliable the data. But beware: a shallow survey that draws exorbitantly high customer response rates is like scuba diving with full gear in 3 feet of water.

Why not go deeper while you have customers' attention rather than waste this opportunity just to claim more surveys?

Recently, builders have reported getting solicitations from research vendors claiming to provide 80-92 percent

on a survey before comparing response rates. Who wants an 80 percent response from a shallow survey that creates more questions than it answers? Consider the math: an 80 percent response rate for a 25-question survey yields an astonishing 70 percent less data than a 50 percent response rate for a typical size home buyer survey of 75 questions.

Tip 2: Check how response rates are calculated. One unethical trick to increase response rates is to subtract those who were unreachable.

Imagine, for example, that you have 100 closings in a given month, but 50 of them don't answer the phone call from the survey company.

unreachable.

Tip 3: Avoid lengthy phone surveys. How many of you have had a telemarketer call you during dinner? Now envision that they are representing your company and require 25 minutes. Need I say more? Phone surveys are only good for short surveys. If you try to capture more than 20 questions, you get fatigue and false positive responses, meaning people just start say "yeah" to get off the phone.

Tip 4: Remember that you get what you pay for. If someone is claiming to get more data and charging heavily discounted rates, best to look elsewhere. With referrals being the cornerstone of the home building industry, it's a serious misstep to risk your relationship with your most valuable asset just to save a buck.

Customer research is much more than just sending a survey. The quality of the survey experience, number of questions, reporting software and staff are critical to success. **PB**

Paul Cardis is CEO of Avid Ratings Co., a research and consulting firm specializing in customer satisfaction for the home-building industry. You can reach him at paul.cardis@avidratings.com.

A survey that draws **exorbitantly high customer response rates** is like scuba diving with full gear in 3 feet of water.

response rates on their customer surveys.

To help guide you in sorting through various research programs, I have provided the following tips to consider as you evaluate the merits of each:

Tip 1: Check the Number of Questions. When shopping around for a survey company, verify the number of questions

Some survey companies will subtract these home buyers from the total possible.

If 40 of the remaining 50 customers actually take the survey, they call this an 80 percent response rate, even though it's really only 40 percent. Reputable companies will only remove surveys that are verifiably undeliverable or

Cardis' Tips

SURVEY SIZE AND RESPONSE RATES ARE IMPORTANT

Don't be fooled by high response rates that actually yield less data.

BEWARE OF PHONE SURVEYS

Such surveys also generate false responses that are usually less than candid and damage customer relations.

DON'T BE FOOLED

Only allow verifiable deductions from the total number of surveys possible.

LEARN FROM LEADERS

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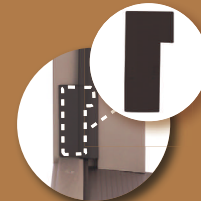
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Building Hope One Micro Loan at a Time

By Felicia Oliver, Senior Editor



Photo: Donovan Roberts Witmer

JEFF RUTT, second from left, and Hope International Director of Development Justin Bredeman, far left, meet with a Dominican Republic client and her son.

Loans can be as small as \$50, and the repayments go toward future loans.

Peter Greer, president of Hope International, says the group has a 99.6 percent repayment rate. "It works not just for Hope

but for many microfinance institutions around the world.

"When funds go out they don't just go into a hole and then tomorrow you have to raise money again to replace those funds," Greer adds. "This is a permanent way of helping."

Greer cites a study that shows, on average, individuals who have a relationship with a microfinance institution improve their income 112 percent over two years.

"They are still very poor," says Greer, "but doubling their income in a relatively short time has changed their world." Rutt says that one teary-eyed loan recipient said her children can now eat twice a day.

"I think one of the reasons that the trade contractors, suppliers and builders are really excited about it is it's so leveraged," says Rutt. "Right now we have 190,000 entrepreneurs. It only takes about \$18 million to serve them."

So far, 23 builders are involved, but there are many more poor they would like to reach. If you'd like to be a Hope builder or get involved in some other way, go to www.hopeinternational.org.

Builders are by and large a charitable group. Many are involved with Habitat for Humanity and Extreme Home Makeover-type projects. But Jeff Rutt of Keystone Custom Homes in Lancaster, Pa., has a program that helps poor people abroad with homes built in the U.S.

His foundation, Hope International, solicits partnerships with builders who build homes — typically on spec — and invite subcontractors and suppliers to donate or discount their labor and materials. Once the house is sold, profits go to Hope International, which then uses 100 percent of the money to supply micro loans to poor people around the world, enabling them to build their own businesses and support their families.

In places like the Dominican Republic, Afghanistan, Haiti and Ukraine, Hope staff members facilitate meetings in poor communities with loan recipient hopefuls who present business plans to each other. Plans are vetted, and once loans are approved, the community members hold each other accountable for following the terms of the loans and paying the loans back.

Data to Treasure

By Sara Zailskas, Assistant Managing Editor

You don't have to wait for a news report that declares we've hit the bottom. Rather, tracking the right data in your area can tip you off to home building's turnaround.

Chuck Shinn presented a list of key predictors at this year's International Builders' Show and broke down what you should watch into three categories:

General local housing market data:

- Mortgage rates
- Foreclosures
- Builder permits
- Retail sales tax revenue

Existing home market data:

- Homes listed
- Average days on the market
- Average sales price
- Sale price to asking price ratio

Your Internal data

- Weekly buyer traffic
- Traffic capture rate
- Percentage of contingent contracts
- Contract fallout rate
- Voluntary cancellation rate

You've got the internal data, but where do you go for the rest? Make friends with your local car dealer and try to arrange an agreement where you can see what they gather, he says. Dealers watch local housing market data like hawks — and getting into conversations about their sales rates can tip you off to your market's economy, too.

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- employing and retaining the brightest and best personnel?

Finally— tell us why this year is the right year for the company to be honored as the *Professional Builder* 2009 Builder of the Year.

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Seated Right: Jeff Rosenberg, President of Land
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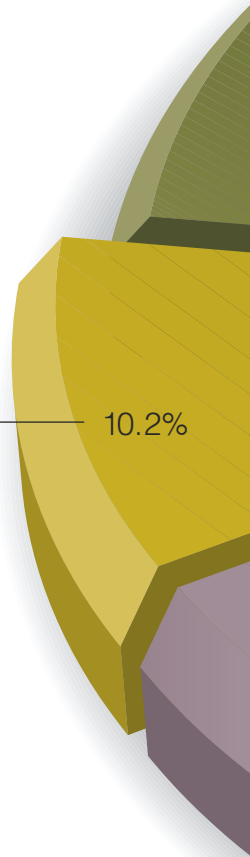
The housing slump first hinted its size in last year's Giant 400. Now it's shown its truly bestial dimensions. But even as the industry falls back, heroes show this dragon can be slain.

By Bill Lurz, Senior Editor

Tier 1 — 10.2%
(Giants Nos. 1-5)
152,967

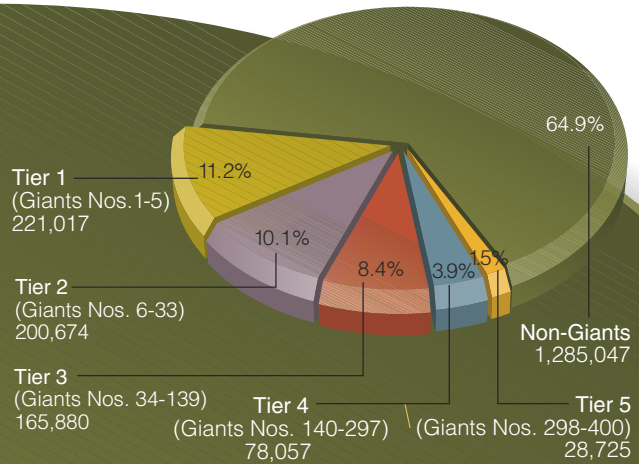
It was probably inevitable that a housing boom that lasted 13 years would end with a cataclysmic contraction. And this is certainly one of those, a dangerous beast that will devour home building companies large and small. "It reminds me of the late '80s in Texas," says Don Horton, leader of our new No. 1 builder, Fort Worth, Texas-based D.R. Horton, "only this time, it's all across the country."

Horton regained the top of the housing industry by strategically retreating, shrinking rather than growing. After becoming the first builder to ever top 50,000 closings (in 2005), and doing it again the next year, D.R. Horton fell to 37,717 closings in fiscal 2007 (-29.4 percent) and \$9.6 billion in revenue — 34.1 percent less than the \$14.5 billion it banked in 2006. Horton has cut its payroll by 60 percent since the peak of the market in 2005.



FOR THE SECOND YEAR IN A ROW, the U.S. housing market contracted (from nearly 2 million completions in 2006 to just 1.5 million in 2007). And the Giant 400's share of the pie, compared to non-giants, also shrank for a second straight year. Even more significant, the top two tiers of giants lost market share to smaller giants as well as non-giants.

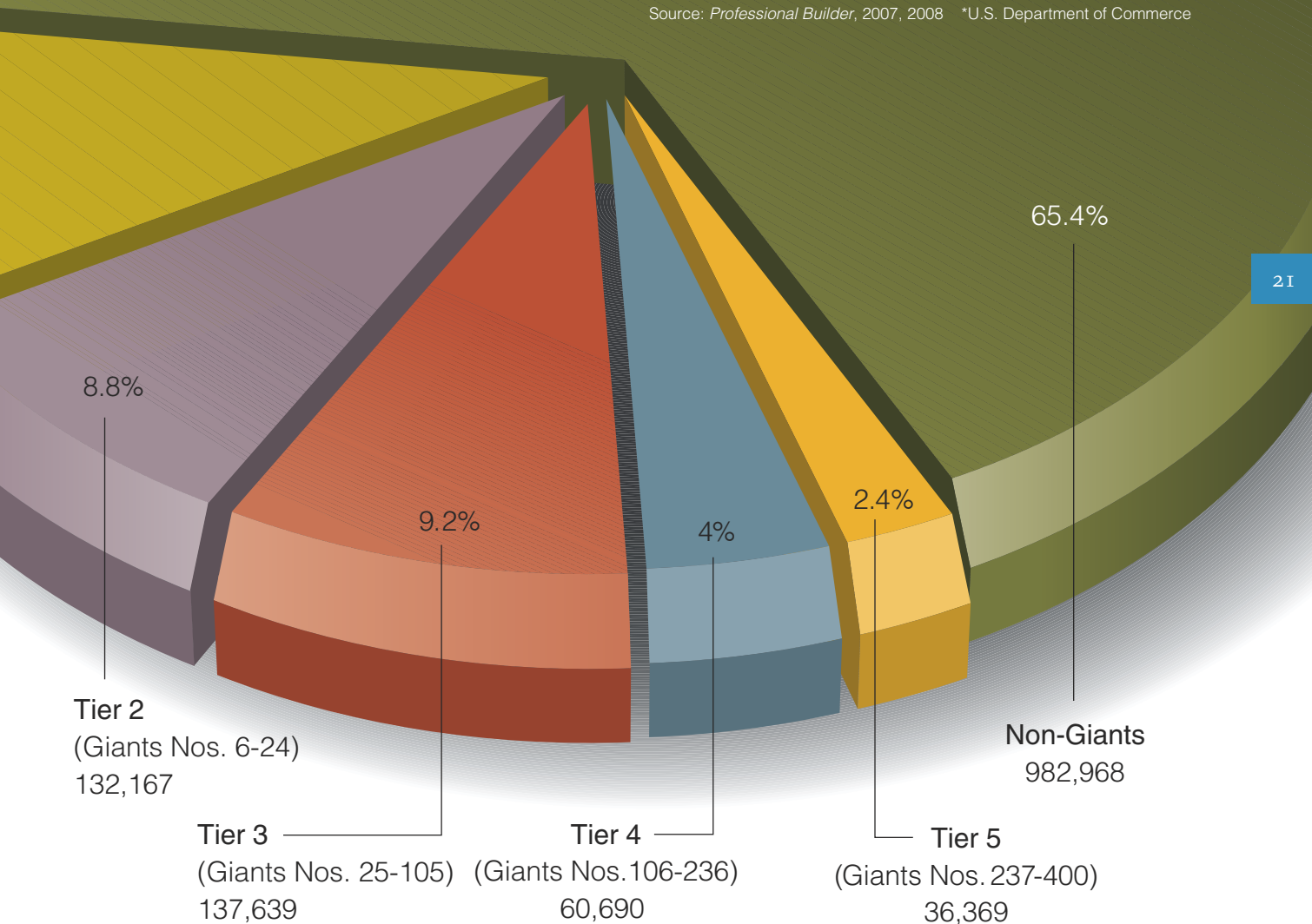
2007 Giant 400 Market Share
(Total U.S. Housing Completions: 1,979,400*)



Source: *Professional Builder*, 2007, 2008 *U.S. Department of Commerce

2008 Giant 400 Market Share

(Total '07 U.S. Housing Completions: 1,502,800*)



How We Sort Housing's Giants

- Tier 1 The Top 5 giants
- Tier 2 Giants below the Top 5 in revenue but above the \$1 billion revenue line
- Tier 3 Giants with more than \$200 million in revenue
- Tier 4 Giants with \$75 million in revenue or more
- Tier 5 Giants with less than \$75 million in revenue

Miami-based Lennar Corp., last year's No. 1, fell farther, dropping 32.9 percent in closings to 33,283, and dropping 36.3 percent in revenues to \$9.5 billion — to land at No. 2. Dallas-based Centex Corp., Bloomfield Hills, Mich.-based Pulte Homes and Los Angeles' KB Home round out the top five, the publicly held group of huge companies we used to call Supernovas. All are now losing ground at an astonishing rate. None of them look particularly super these days.

As the overall ranking shows, this downturn is hitting the largest giants hardest, and the bottom line is that non-giants are gaining market share of total U.S. housing completions for the second consecutive year. That trend is likely to continue.

No More Names

We still believe it makes sense to separate the giants into groups at revenue benchmarks where watershed organizational changes often occur. For instance, at \$75 million in annual revenue, we see builders begin to employ multiple layers of management and sometimes add a second geographic market. And it's certainly clear, at the other end of the size spectrum, that the Top 5 public companies are more like each other than even the mix of public and private firms just beneath them.

Still, we now cringe at the idea of calling anyone in home building a Master of the Universe, or even Rich and Famous. So this year, we're converting the groups into tiers (1 through 5) without names. Tier 2 includes all the giants below the top five, but above the \$1 billion revenue line. Tier 3 kicks in at \$200 million in revenue, and Tier 4 at \$75 million. Tier 5, the smallest giants, comprises giants with less than \$75 million in revenue.

Volatility Redefined

A year ago, we were amazed at how a housing market downturn reshuffled the Giant 400, noting that 154 builders dropped five positions or more, and 137 rose by at least five slots. Of course, we had no idea then that this year's rankings would make that volatility pale in comparison. This year, 108 builders rose by 20 or more positions, and 86 dropped a similar distance.

Of course, you didn't need to go up in closings or revenue to rise in the rankings. "I'll be damned!" exclaimed Chicago builder Buz Hoffman of Lakewood Homes when he learned he'd moved up 22 positions to No. 129 even though Lakewood closed 244 fewer houses in 2007 than the year before and revenues dropped from \$189 million to \$155.6 million.

"The Chicago market's down about 50 percent in the last year," he says. "We're shrinking. If we did anything else, we'd just be fooling ourselves and our financial partners. We've already dropped from 212 employees to 60. If things get any worse, I'll have to drop another 'z' out of my name!"

Slump Still Selective

Last year, the theme of our coverage of the Giant 400 was the "selective" nature of the housing downturn — that Texas and the Carolinas were untouched in 2006, which allowed builders in those states to climb the rankings at the expense of many in California and Florida. This year, it's obvious that Texas and the Carolinas have not escaped the downturn, but builders there are still relatively better off. And we can also see that rental housing is beginning to act counter-cyclically to for-sale housing. Run your finger down the rankings poster in search of firms with big position increases. You'll find most are either rental housing specialists or Texans.

Giant builders who operate only in Texas dropped an aver-

Housing Product Comparisons 2007 vs. 2006 Activity

Product	2008 Giants Product Revenue	'07-'06 Change, Rev	2008 Giants Closings	'07-'06 % Change, Units
Single-Family Detached	\$109,904,249,811	-31.3%	356,160	-29.1%
Low-Rise Condo/Townhouses	\$21,409,131,041	-30.4%	76,326	-30.7%
High-Rise For-Sale Units	\$3,197,130,293	-21.9%	7,485	2.8%
Joint Venture For-Sale Units	\$548,327,521	n/a	1,216	n/a
Total For Sale	\$135,058,838,666	-30.7%	441,187	-28.8%
Low-Rise Rental Units	\$9,632,269,966	17.1%	65,974	0.5%
High-Rise Rental Units	\$1,189,609,000	20.6%	4,643	42.7%
Joint Venture Rental Units	\$1,189,773,926	2.5%	8,028	43.3%
Total Rental	\$12,011,652,892	15.8%	78,645	5.5%

New Privately-Owned Housing Units Completed in the U.S. (U.S. Dept. of Commerce)

	2007	2006	# change	% change
Single-Family Units For Sale	1,218,000	1,654,000	-436,000	-26.4%
For-Sale Units in bldgs. of 2 units or more	116,000	127,000	-11,000	-8.7%
Total For Sale	1,334,000	1,781,000	-447,000	-25.1%
For-Rent Units in bldgs. of 2 units or more	169,000	198,000	-29,000	-14.6%
Total For-Sale + Rental Units	1,503,000	1,979,000	-476,000	-24.1%
Rental Units as a % of Total Units	11.2%	10%	n/a	n/a

Source: Professional Builder, 2007, 2008 U.S. Department of Commerce

WHILE U.S. COMMERCE DEPARTMENT DATA shows rental housing completions dropped in 2007, the Giant 400 recorded gains in both rental unit production (5.5 percent) and rental revenues (15.8 percent) over the previous year's Giant 400. Rental builders are climbing the rankings.

age of 7.3 percent in revenues in 2007, but Texas-based giants that also operate in other states declined more — an average of 23.9 percent. And non-Texas giants declined 29 percent on average. The trend is that most Texas builders are in decline, but not nearly as much as builders in other states.

Frisco, Texas-based Darling Homes is an example. Operating in the high-end of Dallas and Houston move-up markets with an average price above \$400,000, Darling's closings dropped from 709 in 2006 to 599 in 2007, and revenues declined from \$264 million to \$242 million. Yet Darling rose 21 positions and cracked the top 100 at No. 84.

"Unit-wise, we'll be closer to 525 this year," says Bill Darling. "Texas is not all fun and games, but it should come back faster than other markets. We never had the big price spikes, and our local economies are doing well. We've got a lot of job creation."

And here's the shocker: some Texas builders are growing — a few of them by a lot. Examples include Austin entry-level specialist Main Street Ltd., which climbed 53 places (from 205 to 152) on the strength of unit growth from 991 to 1,008, with revenues up from \$126 million in 2006 to \$133.1 million in 2007. And Peter Shaddock's Sotherby Homes rose 71 spots (192 to 121) as Dallas closings went from 306 to 383 and revenues from \$132.3 million to \$163.6 million.

Ed Horne's Austin-based move-up firm, Wilshire Homes, jumped 39 spots (147 to 108) as units dropped from 712 to 634, but revenues climbed from \$192 million to \$197.9

million. And Houston-based on-your-lot specialist Tilson Homes recorded a staggering 101-slot move (284 to 183) as closings jumped from 540 to 633 and revenues went from \$82 million to \$107.9 million. "Our business model makes a lot sense when the market cycles down," says marketing director F. Gary Lewis. "We don't own land."

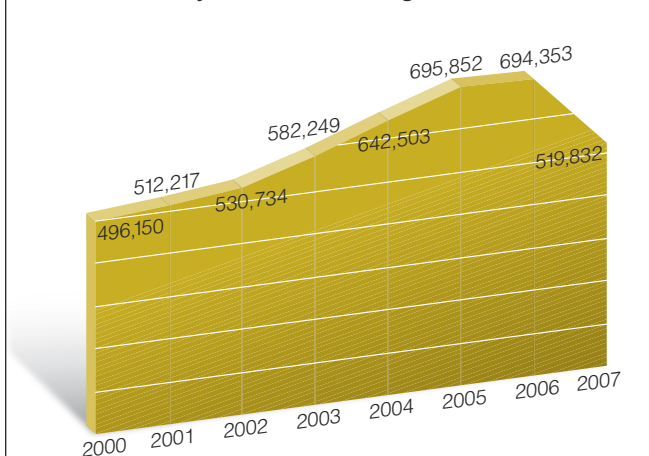
"The price of gas is hurting us because our supers drive a ton of miles," says Lewis, "but it's not cutting into our market. Our segment just doesn't want to live in town. It's a cultural thing in a pioneering state. If a Target store opens within 10 miles, they move out another 20."

But perhaps the most amazing move of all was the 196-slot jump of Arlington, Texas-based Wall Homes. This move-up specialist went from No. 367 to No. 171 in its third year of operations, as closings jumped from 258 in 2006 to 558 last year. Revenues shot up from \$44.2 million to \$118 million. More than 100 of those added closings came as a result of Wall's purchase of Technical Olympic USA's Dallas division. President Steve Wall promises more growth. "Our target this year is 1,000 closings," he says, then adds that the increase will come with a higher average sale price.

Our Hero

So what's the bottom line for builders not currently drinking Lone Star? If you don't want to buy a Stetson and move, look no farther than South Florida for a hero who proves you can sell houses, build them, and even make money in this

21st Century Giant 400 Housing Units Closed



Source: Professional Builder, 2001-2008

GIANT 400 PRODUCTION BUILDERS hit the top of Roaring 2000s roller-coaster in 2006 (based on revenues from 2005 closings). The 2008 giants' closings plunge in 2007.

How PB Calculates Giant 400 Rankings

Professional Builder calculates the Giant 400 rankings by using a two-step process. First, the top 400 production building firms are ranked according to housing units closed in the previous calendar year (or the company's most recent fiscal year). This year, the 400th company closed 82 homes in 2007 (down from 115 last year). But since dollars — not units — are what builders put in the bank, we do another sort, by revenues, to finalize the rankings.

The editors of PB believe this two-step process is a better way to identify the true giants of housing rather than a one-step sort based on either revenues or units. Revenue, after all, is the way the world measures the size of any business. But down at the bottom of the list, we think true production builders should make it into the rankings at the expense of high-end, semi-custom builders with high average sale prices but few units.

market. Craig Perry of Coral Springs, Fla.-based Centerline Homes rose 52 spots this year — from No. 148 to No. 96 — cracking the Top 100 with \$212 million in revenue (up from \$191.3 million), even though his unit volume dropped from 535 to 503.

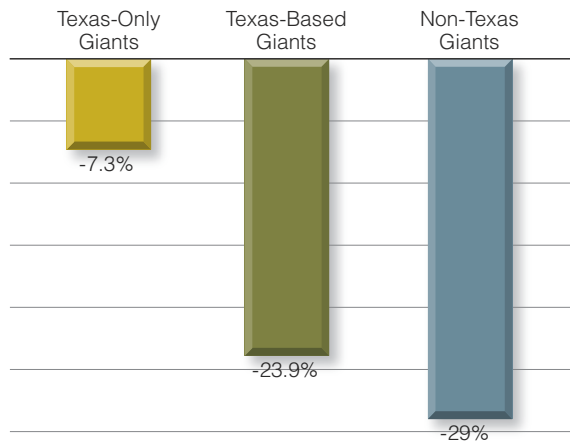
Many production builders in Florida would love to sell 50 houses, let alone 500. “We’re selling houses every day,” Perry says. “Our biggest problem right now is that we can’t get our community count up because we stopped buying land in 2005. Our closings and revenues will be down in 2008 because we only have nine active communities. Last year, we had 12.”

When land prices spiraled up in 2005, Perry had the

discipline to walk away. “We just knew there was too much product at too high a price,” he says. “We don’t have a magic formula. We just stick to the basics we all know. But sometimes it’s tough to keep from getting caught up in the exuberance of a hot market.”

Perry didn’t make a pile of money then. He stuck to making a fair profit on houses sold at a fair price. Somebody must have noticed, because people are still buying Centerline’s houses. And Perry doesn’t have financing problems either. His two lenders just extended his credit lines through 2010. Maybe that’s because his balance sheet still shows an 8 percent profit.

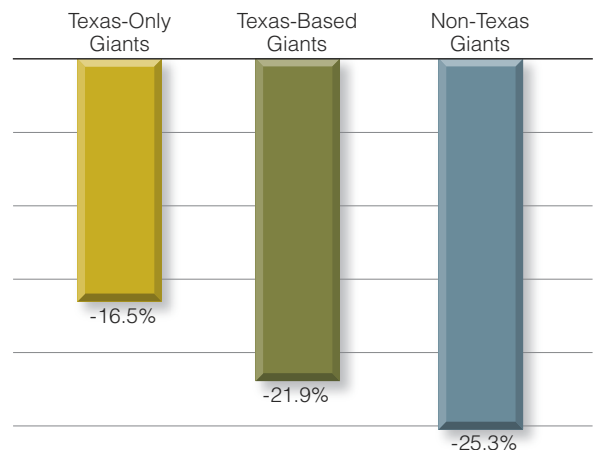
% Change in New Residential Housing Revenues
2007 vs. 2006



Source: *Professional Builder*, 2007, 2008

WHILE HOUSING IS DOWN EVERYWHERE, Texas markets are still better than most. As a result, Texas builders are climbing Giant 400 rankings, some more than 100 positions.

% Change in New Residential Housing Completions
2007 vs. 2006



Source: *Professional Builder*, 2007, 2008

TEXAS GIANTS' CLOSINGS are not dropping as far or as fast as those of builders in other states because Texas' oil-based economy is vibrant and house prices are stable.

Land, Impairments Dog Public Home Builders

Public home builders are not the only ones drowning in a sea of red ink flowing from vast tracts of impaired land. In the mid-2000s feeding frenzy, the largest public builders got their snouts in the trough of overpriced land deeper than any private builder. Just check out these descriptions from Wall Street stock analyst David Goldberg of UBS Securities of some of the most significant impairments since the early days of the housing crash in mid-2006:

Centex: \$2.1 billion from land impairment charges (including \$213 million in joint ventures), \$454 million from forfeiture of option deposit and pre-acquisition costs, goodwill of \$61 million

D.R. Horton: \$1.6 billion of impairments on owned lots, \$234 million from forfeiture of option deposits and pre-acquisition costs. Also includes \$474 million of goodwill impairments.

KB Home: \$1.6 billion of inventory impairments (including \$215 million from joint ventures), \$288 million of option impairments, goodwill write-offs of \$108 million.

Lennar: \$2.1 billion of inventory adjustments (including \$623 million from joint ventures), \$682 million of write-offs of option deposits, goodwill write-offs of \$190 million. Excludes \$740 million loss related to land sale to Morgan Stanley.

Pulte: Approximately \$2.1 billion in on-balance-sheet impairments, \$390 million in write-offs of land deposits and pre-acquisition costs, \$286 million in impairment charges related to land held in joint ventures. Also includes goodwill write-off of \$370 million.

The Inside Skinny

Stock analyst Carl Reichardt of Wachovia Securities says the pub-

lic builders usually report their margin numbers before impairments for very good reason: "If they reported them after impairments, those numbers would be mostly large and negative."

However, Reichardt notes that reporting margin numbers before impairments does give a better picture of what's going on in the present tense. "Impairments really relate to future communities and homes rather than what the builder delivered in the most recent reporting period," he says. "Most of these companies have very small margins before impairments. If they include them, it flips over to huge negative margins. Let's face it, margins suck for these companies."

One industry insider, privy to senior management, estimated that if the current housing downturn persists into 2010, as many as half the Top 10 builders would not survive.



Builder Concerns Reflect A Market In Full Flight

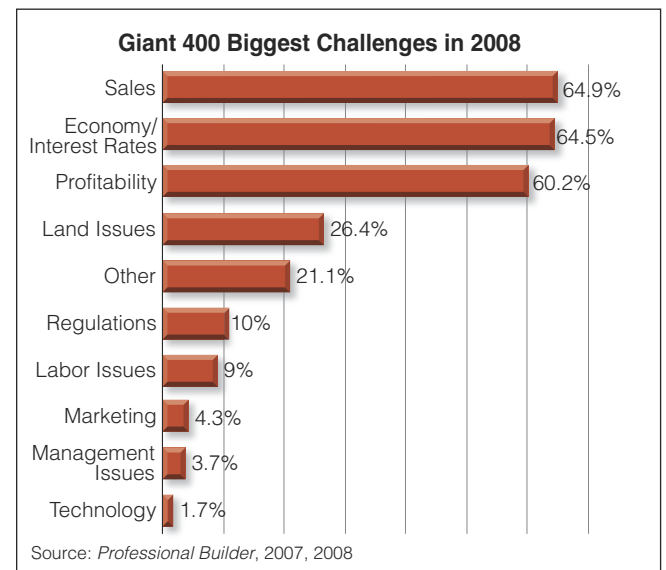
If you're looking for evidence of the importance of the housing industry to the economic health of America, look no further. Housing's giants list sales as their biggest challenge (64.9 percent of respondents), narrowly edging out fears related to the economy and interest rates (64.5 percent). Land issues are a distant fourth (26.4 percent), but land is actually the key component of this downturn — the Old Maid card no production builder wants to hold when people stop buying houses.

The high and mighty titans of the housing industry — publicly held builders like No. 1 ranked D.R. Horton and No. 2 Lennar — are humbled by holding too much land bought at the peak of the market, at prices now out of whack with falling home prices.

New York-based housing market analyst Ivy Zelman says this slump is far from over, predicting that by the end of 2008 the largest builder may have 20 percent fewer closings and revenue than in 2007. "It's ugly out there," Zelman says. "The public builders are challenged as never before, and most of the private builders are dependent on the banks for financing, and those banks are behaving irrationally right now."

If there's light in this tunnel, look for it to show first in Texas, which has the advantage of a vibrant, oil-driven economy and existing home prices that are still rising. "By the end of this year, I think you'll see the Texas markets go from moderately supply-rich to moderately supply-constricted," says Mike Inselmann, president of the Houston-based research firm Metrostudy. "Texas has never had the inventory problems you see in states like California, Florida and Arizona."

When the market does recover, it will be interesting to see if the largest builders can recover their momentum and resume growing. The public builders have laid off hundreds of good managers, who just might start their own companies when they have the chance.

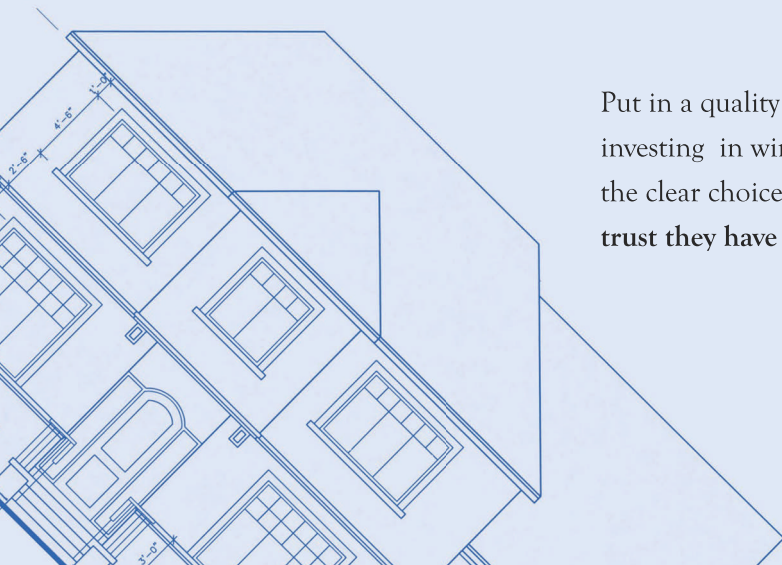


THE GIANT 400 SURVEY includes a question asking builders to rank their greatest challenges. No surprise that sales, the economy and profitability lead the list. But it does seem surprising that land is such a distant fourth. Overpriced, leveraged land is a killer when houses stop selling.



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Rental Apartments Poised For Liftoff

Peruse the tables on this page, showing the performance of the Top 10 single-family home builders compared to the Top 10 rental builders, and it's easy to see the rental market is in much better shape. Six of the 10 rental kingpins finished more units in 2007 than in 2006, while the single-family builders are all down.

"Rental is the flip side of ownership housing," says NAHB economist Dr. Bernie Markstein III. "Right now, with foreclosures rising and people reluctant to buy homes, the rental market is benefiting from the woes in ownership housing. Condo sales are falling for the same reasons as single-family detached, and when that happens in the condo market, a lot of those units wind up back in the rental market, at least temporarily." That phenomenon kept vacancy rates higher in some markets, but they're now dropping again.

Rental Darlings

Daryl Spradley, senior vice president of Maitland, Fla.-based Charles Wayne Consulting, says rental apartments will be the

top performer among all types of housing over the next few years. And rental's appeal doesn't stop with housing. "Rental apartments will be the darling of the development industry," Spradley says, "over retail, industrial, office, everything. Rental produces the highest return of anything."

"There's not really a boom yet in Orlando's rental market, but that's only because so many condo investors are still trying to hang onto their units, by renting them — even at a loss," Spradley says. The hottest trend in that Florida market right now is mixed-use. "Within five years, we're going to see more town centers than there are towns in Central Florida," Spradley laughs. "There's just so much momentum toward mixed-use, with apartments at 30 to 40 units to the acre."

Markstein predicts another upswing in luxury renters-by-choice in many markets. "Since home appreciation rates are likely to be flat for several years to come, there's not as much motivation for young, high-income couples to buy," he says. Such couples may opt for well-located rental apartments and put off owning a home until prices really start to recover.

Top 10 Rental Builders

2008 Rank	Company	2007 Rental Unit Completions	% Change over 2006	2006 Rental Unit Completions	'07/'06 change in units
16	Trammell Crow Residential/Atlanta, GA	10,363	60.5%	6,458	3,905
23	Alliance Residential Company/Phoenix, AZ	7,022	67.2%	4,200	2,822
43	Clark Realty/ Arlington, VA	5,536	50.8%	3,670	1,866
28	Lincoln Property Company/Dallas, TX	4,740	-3%	4,885	-145
45	Hunt Building Company, Ltd./El Paso, TX (Est'd.)	4,198	-41.2%	7,142	-2,944
31	The Morgan Group, Inc./Houston, TX	3,921	36.9%	2,864	1,057
52	A.G. Spanos Companies/ Stockton, CA	3,084	-17.6%	3,744	-660
37	The Irvine Company Apartment Communities/Irvine, CA	2,396	70.4%	1,406	990
83	Harkins Builders, Inc./ Marriottsville, MD	1,900	8.9%	1,745	155
126	Contravest Construction Cos./Lake Mary, FL	1,900	-n-	n/a	n/a

Source: *Professional Builder*, 2007, 2008

RENTAL BUILDERS OFTEN RISE OR FALL precipitously in the Giant 400 rankings because their production is erratic. But this year, six of the Top 10 rental Giants gained in unit completions — and all 10 gained in rank. Watch for rental builders to outperform ownership housing producers for the next couple of years.

Top 10 Single-Family Detached Home Builders

2008 Rank	Company	2007 SFD Closings	% Change over 2006	2006 SFD Closings	'07/'06 change in units
1	D.R. Horton, Inc./ Fort Worth, TX	29,726	-28.8%	41,741	-12,015
2	Lennar Corporation/ Miami, FL	25,235	-34.4%	38,477	-13,242
3	Centex Corporation / Dallas, TX (Est'd. '07 SFD)	24,547	-17.6%	29,803	-5,256
5	KB Home/ Los Angeles, CA	23,743	-39.1%	39,013	-15,270
4	Pulte Homes / Bloomfield Hills, MI (Est'd. SFD)	20,380	-33.6%	30,707	-10,327
6	Hovnanian Enterprises, Inc./ Red Bank, NJ	11,543	-20.7%	14,547	-3,004
9	Beazer Homes USA, Inc./ Atlanta, GA	11,366	-35.1%	17,500	-6,134
7	NVR, Inc./ Reston, VA (Est'd. SFD)	9,459	-10.7%	10,597	-1,138
11	The Ryland Group, Inc./ Calabasas, CA	8,440	-34.5%	12,880	-4,440
12	M.D.C. Holdings, Inc./ Denver, CO	8,195	-36.8%	12,968	-4,773

Source: *Professional Builder*, 2007, 2008

CONTRAST BETWEEN RENTAL AND SINGLE-FAMILY DETACHED ownership home builders is dramatic. All of Top 10 in SFD are public builders and all are down in closings, even though most dropped prices dramatically in 2007 to try to keep selling.



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Sun Cuts Clouds Over Manufactured Housing

Site-built housing's downturn dragged the manufactured housing sector into the gloom the past two years, but now the sun is beginning to shine again for at least some in that industry. Part of the reason is the credit crackdown that has many site-builders tearing their hair.

"It's tough to sell any kind of housing when so many pro-

duction site-builders are discounting wildly," explains Tom Beers, vice president of economics for Arlington, Va.-based Manufactured Housing Institute. "Our members complain about the strategies of the public home builders just as so many other builders do."

Top 25 Factory-Built Giants

2008 Rank	2007 Rank	Company	Total Factory-Built Revenues	Total Factory-Built Units Delivered	HUD Code Revenues	HUD Code Units	Modular 3D Revenues	Modular 3D Units	Panelized Revenues	Panelized Units
1	1	Clayton Homes - CMH Manufacturing/Maryville, TN	\$1,400,000,000	32,354	\$1,200,000,000	29,948	\$200,000,000	2,406	n/a	n/a
2	2	Champion Enterprises, Inc./Troy, MI	\$941,945,000	15,346	\$647,945,000	11,676	\$294,000,000	3,670	n/a	n/a
3	3	Palm Harbor Homes, Inc./Addison, TX	\$623,139,000	6,737	\$410,226,000	4,887	\$212,913,000	1,850	n/a	n/a
4	4	Fleetwood Enterprises, Inc./Riverside, CA	\$514,321,000	13,478	\$495,101,000	12,936	\$19,220,000	542	n/a	n/a
5	5	Skyline Corporation/Elkhart, IN	\$272,383,000	5,669	\$272,383,000	5,669	n/a	n/a	n/a	n/a
6	6	Cavalier Homes, Inc./Addison, AL	\$204,173,011	4,760	\$182,013,843	4,412	\$22,159,168	348	n/a	n/a
7	8	Wausau Homes, Inc./Wausau, WI	\$172,750,000	2,030	n/a	n/a	\$12,225,000	163	\$160,525,000	1,867
8	9	Cavco Industries, Inc./Phoenix, AZ	\$161,242,000	3,612	\$161,242,000	3,612	n/a	n/a	n/a	n/a
9	11	All American Homes, LLC/Decatur, IN*	\$119,186,000	1,200	n/a	n/a	\$119,186,000	1,200	n/a	n/a
10	10	Horton Homes, Inc./Eatonton, GA	\$105,745,000	2,820	\$77,698,000	2,353	\$28,047,000	467	n/a	n/a
11	13	Fairmont Homes/Nappanee, IN	\$100,100,000	2,081	\$55,200,000	1,349	\$44,900,000	732	n/a	n/a
12	14	American Homestar Corporation/League City, TX	\$98,262,000	1,727	\$53,062,000	1,235	\$45,200,000	492	n/a	n/a
13	15	Excel Homes LLC/Camp Hill, PA	\$92,000,000	1,030			\$92,000,000	1,030	n/a	n/a
14	16	Liberty Homes, Inc./Goshen, IN	\$78,108,221	1,608	\$45,115,308	1,059	\$31,883,971	505	\$1,108,942	44
15	17	Ritz-Craft Corporation/Mifflinburg, PA	\$74,898,721	945	\$17,346,301	240	\$57,552,420	705	n/a	n/a
16	12	Patriot Homes, Inc./Elkhart, IN	\$74,617,054	1,426	\$50,461,721	1,048	\$24,155,333	378	n/a	n/a
17	20	Four Seasons Housing/Middlebury, IN	\$64,000,000	787	\$38,400,000	467	\$25,600,000	320	n/a	n/a
18	21	Pine Grove Housing Group/Pine Grove, PA	\$62,228,000	940	\$34,428,000	617	\$27,800,000	323	n/a	n/a
19	19	Muncy Homes, Inc./Muncy, PA	\$61,954,000	1,003	n/a	n/a	\$61,954,000	1,003	n/a	n/a
20	18	Wick Building Systems, Inc./Mazomanie, WI	\$59,538,000	758	\$11,379,000	177	\$27,132,000	373	\$21,027,000	208
21	22	Pleasant Street Homes, LLC/Middlebury, IN	\$41,717,196	713	\$9,880,062	290	\$31,837,134	423	n/a	n/a
22	24	Nobility Homes, Inc./Ocala, FL	\$40,623,000	485	\$40,623,000	485	n/a	n/a	n/a	n/a
23	25	Sunshine Homes/Red Bay, AL	\$38,500,000	1,431	\$38,500,000	1,431	n/a	n/a	n/a	n/a
24	23	Jacobsen Manufacturing, Inc./Safety Harbor, FL	\$37,497,307	608	\$34,475,321	559	\$3,021,986	49	n/a	n/a
25	-	DeLuca Enterprises, Inc./Yardley, PA**	\$10,100,000	492	n/a	n/a	n/a	n/a	\$10,100,000	492

* Italics = Estimated ** also in Giant 400

Source: *Professional Builder*, 2007, 2008

THE TOP 25 IN FACTORY-BUILT HOUSING has not seen nearly as much volatility in rankings as on the site-built side. Growth of modular housing has been bright spot for sector, which lost customers to site-built during the sub-prime mortgage era. But as credit tightens, look for factory-built HUD-code housing to boom. Shipments are already rising.

Catching Some Rays

"But the last couple of months, we've seen single-section HUD Code shipments turn up dramatically. Both consumers and lenders have had a reality check," Beers says, "They can't put people into \$500,000 homes anymore if they don't have a big down payment."

Single-section HUD Code homes are the most affordable product in ownership housing, with an average price of \$35,000. A \$2,000 down payment will work fine for such a home, while it may not work at all in the current tight credit environment for even the most affordable site-built homes.

Multi-section HUD Code homes and modular housing are still in the dumps, because both track closely to site-built. But even there Beers sees reasons for optimism. Multi-section HUD houses are assembled on-site and average \$85,000 in price, without the lot and the decks and porches many people

attach to them. The federal stimulus package now in Congress contains a provision to update FHA Title I mortgages, upping the loan limit from \$48,000 to \$70,000. If Congress passes that provision, Beers believes the mortgages will be used widely on multi-section as well as single-section HUD homes.

Modular manufacturers have carved a niche recently supplying modules to custom site-builders for assembly into expensive custom homes in rural areas. Those rural markets are not as bad as those in suburbia, and that market segment is not as interested in standing inventory homes. So even modular has hope.

Still, the best chance for manufactured housing is the HUD code single-section segment that's already rocking. Tighter credit is pushing people — who should have been customers all along, Beers says — back into HUD singles.

Where Are We Heading?

The only consensus on what housing's next decade will look like after the boom and bust 2000s is that it will be different from the past.

The trouble with trying to figure out, now, what kind of decade awaits is that no one wants it to be anything like the decade we're trying to sweep out the door. And yet, especially in terms of the rate of technological change, it almost has to be more like the Roaring 2000s than any other decade in history. Think about that while you're checking e-mails on your new hand-held. We know, for instance, that the flow of information is not likely to slow.

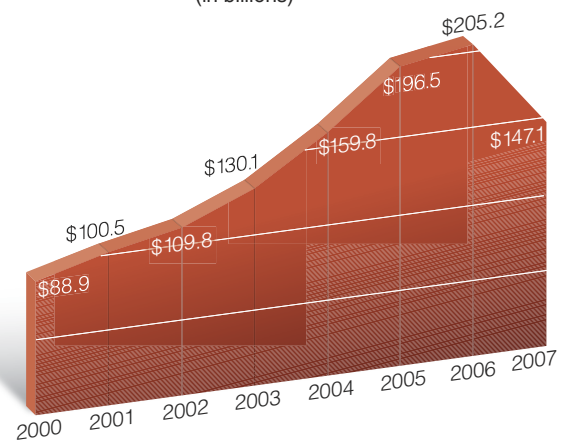
The largest giant builders — those public companies a fair percentage of builders blame for the excesses of this decade — certainly don't want to see an encore. They almost had Wall Street (and many of the rest of us) convinced, coming out of the 1990s, that this kind of volatility couldn't happen.

Some Wall Streeters even tried to sell the idea that the Top 10 builders would eventually build more than half of America's new houses every year. Now it's whispered that half the Top 10 might not make it to 2010. Certainly, the 50,000 closings D.R. Horton hit twice this decade now looks like a high-water mark akin to a 50-year flood.

Who's A Prophet?

When we ask builders, analysts and housing industry consultants what they think about the future, they seem to have radically different views. For instance, Colorado-based consultant

21st Century Giant 400 Housing Revenues
(in billions)



Source: Professional Builder, 2001-2008

THE HOUSING BUST IN THE SECOND HALF of the Roaring 2000s shows in Giant 400 revenues for this decade and stands in sharp contrast to the first half of the boom that started in the mid-90s.

Chuck Shinn believes recovery will bring drastically different housing products and new kinds of building companies.

“The day of big publics may be over,” Shinn offers, “and detached homes, at four to the acre, in 300-unit subdivisions way out in exurbia, is a product with no future.”

Shinn says the public builders should be land developers or builders, but not both. He offers NVR’s land-light business model as one alternative, then says the big builders can’t see the wave of the future in community development because they are blind to anything that doesn’t fit the demands of their production machines.

“We already have land developers taking market share by developing mixed-use projects that put many services within walking distance of homes,” Shinn says. “People don’t want to drive to Starbucks,” he charges. “They want to walk.” He believes successful communities in the future will blend commercial and retail space with a 60/40 mix of small-lot detached homes and high-density multifamily, with average prices settling some 30 percent lower than in most of today’s developments.

He also believes large private builders, backed by big equity investment funds, will soon be a powerful force and that new technology will drive mass customization into every sales office

NVR Visions

San Francisco-based Wachovia Securities stock analyst Carl Reichardt endorses the wisdom of the largest builders taking

lessons from NVR as a way to avoid another decade of extreme volatility, such as the charts on these pages show.

“The big public builders know Wall Street cares more about sustainability of growth than a high percentage of change in that rate over time. Wall Street rewards predictability,” Reichardt says.

“When you put land in the home building equation as part of the profit center, you throw predictability right out the window.

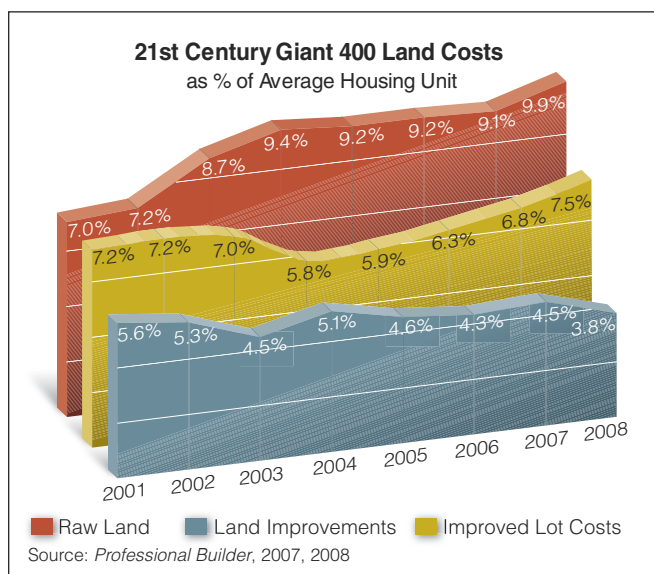
“It sounds — now — like the other public builders want to reshape their companies to be more like NVR,” he says. “But the cynics will tell you it’s bull.” As soon as the market turns, they will get right back into development, Reichardt charges.

“They can’t give up that land margin. These guys are like drunks on a bender. NVR is all about becoming more efficient constructors of housing and getting rid of the risk and volatility associated with land. But these other builders will never do it.”

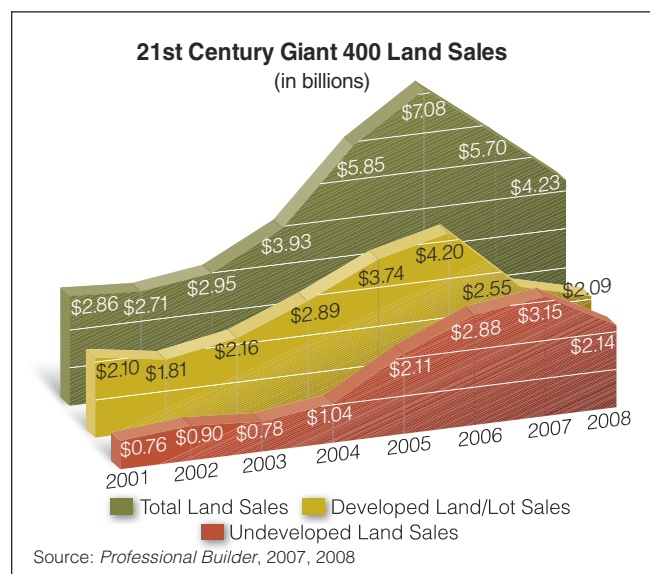
Reichardt, however, has a different vision from Shinn’s about the future of housing products. “I don’t for a moment think we’ll see the end of distant suburban subdivisions,” he scoffs. “Even if gas goes to \$9 a liter. ... What I don’t understand is the beige boxes. Why does the design esthetic have to be so bad?”

“You can see the direction the next generation wants to move,” Reichardt says, “and it’s modern.”

Who’s willing to bet Don Horton will go for that idea? **PB**



GIANTS' LAND COST, as a percent of average house price, is still going up because houses are still built on lots produced at market peak. Land improvement contribution is declining because builders have slowed new development work. Some analysts believe builders would be well-served to get out of land development entirely in next decade.



SELLING LAND WAS A PROFIT OPPORTUNITY in first half of 2000s as builders scrambled to stay ahead of booming market. Now, land is sold not for profit, but to avoid loss. It's the Old Maid card nobody wants. Land impairments continue to drag down largest builders.



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It's no joke – New Orleans is showing signs of a comeback, with steady job growth and an upswing in affordable housing. Four other markets have a positive story to tell, and that's a good reason to celebrate. Learn more on page 40.

sellit

REVELING IN HOPE

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INSIDE

John Rymer on the sales follow-up
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[page 40]

Photo: Courtesy of New Orleans Convention & Visitors Bureau

GOSSIP FROM A WALKIE-TALKIE

There isn't much I don't hear about over these waves. Project updates, building permits, lunch orders, baseball scores, and plenty of profanity — much of which revolves around shower valves. Either someone ordered the wrong valve, or installed the wrong valve, or changed their mind at the last minute. Can someone just make one valve that fits any shower so I don't have to listen to all this chatter? It's giving me a headache.



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[NEW HOME KNOWLEDGE]

The 2008 Sales Follow-Up



Buyers are taking more than twice the amount of time to make a decision today versus 2005. The best sales professionals are adjusting their follow-up practices.

By John Rymer, New Home Knowledge

One of the common complaints I hear from new home sales professionals today is that everyone's on the fence, and no one wants to commit to buying a home. It's true that getting customers to commit to a new home has never been more difficult than it is today.

With that said, many new home sales professionals got complacent in their closing skills in the last several years by relying on two subconscious urgency messages: (1) If you don't buy now, prices will go up, and (2) If you don't buy now, chances are the home you want won't be available during your next visit to our sales office. However,

the incubation time (time between initial contact and sale) increased by 44 percent. The number of days between initial contact and sales climbed 106 percent when comparing 2005 sales with those in 2007. Wow! Same builder, same price homes, same market. What a difference two years makes!

Yet as telling as the study results are, they don't provide the new home sales professional with what to do or how to handle their customers differently — and still close the sale.

Retool Your Follow-Up

Begin by understanding that the purchasing process in 2008 will most likely involve a lot more work after the initial

DO be vigilant. Customers want to buy from someone who wants to work for their business. Continue your pre-determined phone and written contacts even when you are not receiving return calls.

DON'T be discouraged. An A+ prospect who doesn't return your calls hasn't necessarily lost interest. It most likely means they want to do more research before their next visit.

DO expand your follow-up timeline. I recommend a six month, pre-planned timeline on total follow-up. Customers are taking longer to make decisions, so you need to stay in front of them for longer periods of time.

DON'T rely on only one type of follow-up. And remember that e-mail spam blockers on many office systems may render your e-mails useless.

DO provide follow-up with a purpose. Simply saying "I haven't heard from you in a while" is not purposeful follow-up. Demonstrate why you are providing valuable new information to help them with their home purchase decision. **PB**

John Rymer is the founder of New Home Knowledge, which offers sales training for new home builders and real-estate professionals. He can be reached at john@newhomeknowledge.com.

The purchasing process in 2008 will most likely involve **a lot more work after the initial visit** in prior years.

changes in the market environment have rendered both of these "closes" ineffective.

One of the telling signs about the lack of urgency is a study by a major builder. The study measured the time between the initial contact with the customer and the actual date of purchase of their new home. The results showed that between 2005 and 2006,

visit than in prior years. Just as your customer in 2005 received positive reinforcement after they left your sales office — "Buying a new home is a great investment" — they are now likely hearing friends tell them to wait to buy until the market turns around.

The following are the dos and don'ts of 2008 customer follow-up:

Rymer's Rules

ADJUST YOUR TRADITIONAL FOLLOW-UP

Account for potentially longer time frames between initial meeting and sale.

DON'T BE DISCOURAGED

"A" prospects sometimes choose not to return phone calls. Assume success and keep calling until they tell you to stop.

FOLLOW UP WITH PURPOSE

Customers don't want to hear idle chit chat. Before picking up the phone, define the purpose of the call and get focused.

DON'T RELY ON ONE FOLLOW-UP SOURCE

Phone, mail and electronic follow-up are all essential.



To read more, visit us at www.probuilder.com

Photo: Doug Johnson



THE GROUND FLOOR of this live/work unit at Florence Lofts has concrete flooring, one of the project's many green features. The developer, IBIS Builds, is applying for LEED Gold certification.

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[LIVE/WORK]

Green Live/Work Project Breaks New Ground

By Susan Bady, Senior Editor, Design

Live/work units are a new concept in Sebastopol, Calif., about an hour's drive north of San Francisco. Florence Lofts, a green live/work project five blocks from downtown Sebastopol, has not been an easy sell — but it's catching on.

"For us, live/work is an integral part of putting forward a project that's very sustainable because it eliminates the need to commute," says architect/builder Steve Sheldon, founding partner of IBIS Builds in Sebastopol, developer of Florence Lofts. "But because that kind of product has not really existed here, the challenge is to put it front of the right people."

Florence Lofts consists of 12 live/work lofts and an adjoining 4,200-square-foot commercial building. At press time, the commercial building was partially occupied and three of the lofts had sold. Live/work units are 1,520 square feet and priced from \$775,000 to \$825,000.

The project's extensive utilization of green-building concepts also sets it apart in the market. For example, exterior ground surfaces have permeable paving — 6-inch-thick, pervious concrete that allows water to pass right through it

to a layer of drain rock. Whatever doesn't go back into the ground is channeled to a concrete tank filled with gravel and plants. The plant roots absorb toxins from the water, which then flows into city storm drains.

Another system recirculates graywater, storing it in a tank where it will be used for landscape irrigation. "We figure we'll be recycling about 150,000 gallons of water a year for site landscaping," says Sheldon, noting that it's the largest graywater bioremediation system ever built in Sonoma County.

On the radar

IBIS is targeting advertising and direct mail to entrepreneurs, designers, medical practitioners and other small-business owners. The developer is also making presentations directly to those prospects.

"We're working with the real-estate community, too, because they're basically uneducated about this product, and there's really nothing comparable to it," says Sheldon. "So we're taking them on tours, and gradually, we think that will work for us."

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[SITE SAVVY]

Is This Home Page Up to Par?

By Jennifer Powell, Staff Writer

Now is the time to beef up your sales and marketing tactics. So how's your Internet image doing? A panel of marketing experts volunteered to critique the Belcher Homes' home page at www.belcherhomes.com. Here's what they thought and what they suggest.

RICHARD ELKMAN, PRESIDENT, GROUP TWO ADVERTISING

Design-wise, the plain green and white color scheme, while probably intended to suggest eco-friendliness, merely looks bland and uninteresting. A warmer shade of green — perhaps an additional color to break up all the green — and a nice background color would help jazz things up a little.

MARYALICE WIDNESS, PROJECT MANAGER, THE BERNARD PARTNERSHIP

A lot of the most important elements are present in the ad but they are not coming together in a way that would speak to today's trendy buyers. The site looks too old fashioned.

SCOTT TEEL, MARKETING DIRECTOR, SIMONINI BUILDERS


The main page is very text heavy. Perhaps use more photography to draw visitors in. ... The video presentation is great, and it deserves front page placement. Good job getting it on the main page of the Web site.

JAN MITCHELL, SENIOR EDITOR, SALES & MARKETING IDEAS MAGAZINE

I do like that the logo incorporates the green concept via a leaf. However, like the home page itself, it's a little dated. ... Green homes and communities are very forward-thinking, so I think a company that has this message needs a more forward-looking logo.

RICHARD ELKMAN

We question why the only photos of Belcher homes are tiny and at the bottom of the page. These homes are one of the primary reasons why people are coming to the site. Put them up at the top and make them bigger.



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5 Markets to Watch


Not as hard hit as markets like Miami and Phoenix, these five metro areas show signs of a quicker recovery and good long-term growth.

By Susan Bady, Senior Editor, Design

JUST FOR A MOMENT, shut out the gloomy picture being painted of our nation's housing market, because it's not the same everywhere. We found five markets where a combination of factors, including job growth, population growth and a brisk pace of economic development, bode well for housing in the long term.

In no particular order, the chosen cities are Huntsville, Ala.; Beaumont-Port Arthur, Texas; Allentown-Bethlehem-Easton, Pa.-N.J.; Salt Lake City; and the New Orleans area. One thing they all have in common is a small housing bubble (or, in the case of Huntsville, no bubble). That's according to John Burns Real Estate Consulting, which assigns a Housing Market Barometer to metro areas across the United States. This measurement is a calculation of inventory and affordability — in other words, the size of the bubble.

Will Beaumont-Port Arthur become the next Houston? Will Huntsville grow to the size of Nashville or Atlanta? Probably not. Builders in those smaller markets are doing a better job of controlling growth. And even during the worst housing bust in years, there are bright spots.



THE OIL ERUPTION of Spindletop in 1901 spawned much of the real-estate development in Port Arthur, Beaumont and Orange, Texas, also known as the Golden Triangle.

Fueled by Industrial Expansion

Beaumont-Port Arthur, Texas

For the first time in years, the Gulf Coast metro area of Beaumont-Port Arthur is poised for growth.

Locals often refer to this area as the Golden Triangle because it encompasses the neighboring city of Orange and many smaller communities in between. In 1901, the oil eruption of Port Arthur's Spindletop kicked off real-estate development and put Texas on the map as a top oil-producing state. The economy of the Golden Triangle has historically remained stable due

to its ports, waterways and strong petrochemical industry, and today it's gearing up for more than \$20 billion worth of refinery expansions and new industrial projects. In October 2007, the Southeast Texas Workforce Development Board estimated that 25,000 new workers would be needed between 2008 and 2011.

Local home builders are cautiously optimistic. "These industrial expansions take a long time," says Howard Nichols, managing partner of the Nichols Co. in Beaumont. "Most of the people who are going to be here at first will be temporary workers."

Nichols has been building in Beaumont for 35 years and currently has semi-custom spec homes ranging from \$250,000 to \$400,000. The pace of residential construction in Beaumont-Port Arthur has been consistent: 400 to 500 single-family homes a year for the last eight years, he says. "Our area does have a prospect for steady activity. We've never had a major slowdown because we don't overbuild."

Beaumont builder/developer Richard Guseman says, "There's been somewhat of a slowdown, but not to the same extent as other parts of the U.S. It's not like Nevada or Arizona or Florida with their 25-percent-a-year price increases." Guseman builds homes priced from the mid-\$200,000s to \$750,000-plus.

Joel Foxworth, vice president and senior business relationship manager with Wells Fargo Bank in Beaumont, says most builders in the Golden Triangle produce about 10 houses a year. But things could change.

"Right now we're experiencing a tremendous boom in hotels, apartment complexes, RV parks and temporary housing," says Foxworth. "The Workforce Development Board estimates that about one-third of the temporary workers will stay after the projects are complete. It's the permanent jobs afterward that are going to create housing demand."

Population Explosion

Salt Lake City

Salt Lake City is in a housing slump right now. "But when the light turns green, there's going to be squealing of tires," predicts Curtis Dowdle, executive officer with the Salt Lake Home Builders Association.

Brad Wilson of Destination Homes thinks Salt Lake City will rebound in early 2009. "We have a very strong economy and one of the lowest unemployment rates in the United States," says Wilson. "A lot of companies are relocating here. For the long term, we're bullish."

Salt Lake City trails the national market by 12 to 18 months and didn't begin to experience a slowdown until 2007, says Eric Allen, director of the Utah/Idaho division of MetroStudy, a housing research firm. However, he thinks prospects for a quick recovery are good. "Our housing inventory has always been very low," says Allen. "We're not a spec market."

Salt Lake City's construction sector accounts for approximately 25 percent of its job growth. Commercial construction is at a record level and absorbed many workers who were sidelined by the residential slowdown. Other job sectors, including business services and education services, are also healthy, says Allen: "We're creating 40,000 jobs a year just in the greater Salt Lake market."

Single-family attached housing has picked up in the last few years because it's more affordable than detached — under \$220,000, says Allen. Some of that product is being built downtown, where redevelopment projects continue

FAST FACTS: BEAUMONT-PORT ARTHUR, TEXAS

POPULATION: 387,369

JOB GROWTH RATE: 2.0%

12-MONTH SINGLE-FAMILY PERMITS: 587

12-MONTH TOTAL PERMITS: 1,782

MEDIAN HOME PRICE: \$134,300

NEAREST MAJOR CITY: Houston (90 miles west)

PRIMARY INDUSTRIES: Petrochemical manufacturing; petroleum refining

Sources: MetroStudy; John Burns Real Estate Consulting; Beaumont Convention & Visitors Bureau; Port Arthur Chamber of Commerce

Photo: Beaumont Convention & Visitors Bureau

FAST FACTS: SALT LAKE CITY

POPULATION: 1,055,059

JOB GROWTH RATE: 4.3%

12-MONTH SINGLE-FAMILY PERMITS: 3,935

12-MONTH TOTAL PERMITS: 6,122

MEDIAN HOME PRICE: \$226,473

PRIMARY INDUSTRIES: Computer services; health care services; banking

Sources: MetroStudy; John Burns Real Estate Consulting; city-data.com
Photo: Salt Lake Convention & Visitors Bureau



at a steady pace.

Allen forecasts approximately 7,000 single-family starts in 2008. They'll slowly begin to increase in early 2009.

Utah's birth rate is almost double the national average, so there are many large families. According to a University of Utah study, 30,000 new households will be created in 2008. Yet the fastest-growing demographic in the Wasatch Front (the three-county area in which most of the city's population resides) is 60- to 69-year-olds. "We have a kind of mecca mentality," says Dowdle. "Members of the Church of Jesus Christ of Latter-day Saints like to retire in Salt Lake City after living and working elsewhere."

Hot Job Market Spurs Growth

Allentown-Bethlehem-Easton, Pa.-N.J.

Home buyers come to Allentown from as far away as New York City, 90 miles to the east. Part of the reason is accessibility (Interstate 78 feeds right into the Holland Tunnel to New York), but they're also lured by lower housing prices.

Allentown and its neighbors, Bethlehem and Easton, comprise a statistical area known as the Lehigh Valley. Allentown, Pennsylvania's third-largest city, is the home base of Mack Trucks. Bethlehem Steel was once the nation's largest integrated steel producer, and Crayola Crayons is headquartered in Easton. This fast-growing area is drawing home buyers from Philadelphia and New Jersey as well as New York, says Bob Gollwitzer, director of marketing for The Hendricks Properties (THP) of Harleysville, Pa. Manufacturing is no longer the dominant activity, but industrial and corporate employers along the major transportation corridors are providing a significant number of job opportunities. For example, the recent merger of two technology companies, LSI Logic Corp. and Agere Systems, is expected to generate more than 1,000 jobs, the Allentown Morning Call reported in March 2007. At one community, THP is selling six to eight detached homes a month, priced from

FAST FACTS:

ALLENTOWN-BETHLEHEM-EASTON, PA.-N.J.

POPULATION: 805,585

JOB GROWTH RATE: 2.2%

12-MONTH SINGLE-FAMILY PERMITS: 2,585

12-MONTH TOTAL PERMITS: 2,743

MEDIAN HOME PRICE: \$241,298

NEAREST MAJOR CITY: Philadelphia (60 miles south)

PRIMARY INDUSTRIES: Health services; computer technology

Sources: MetroStudy; John Burns Real Estate Consulting; Lehigh Valley Convention & Visitors Bureau; city-data.com

Photo: Lehigh Valley Convention & Visitors Bureau/Ang Caggiano

\$285,000 to \$370,000. Another community of townhouses and twin homes is nearly sold out; those homes range from the \$200,000s to \$245,000. They're just two of 10 developments in and around the Lehigh Valley where THP is actively selling. "We count on a fair amount of absorption of inventory," says Gollwitzer.

There are national builders such as Pulte in this market as well as local builders. In fact, there's a Pulte community across the street from one of THP's projects. "People go to Pulte's job, then come over and shop us, too," he says.

Builder/developer Wendy Ney Manley of Manley Partners in Pottstown, Pa., says, "We're bullish on the area's prospects. Some builders in this area have had tremendous sales growth and great activity." Manley expects to draw buyers from the Allentown area for a subdivision about two miles from the Lehigh County line.

Opportunity Knocks

New Orleans-Metairie-Kenner, La.

Post-Katrina New Orleans presents both great challenges and great opportunities. "Recovery is achievable, but it's not going to happen overnight," says Jon Luther, executive vice president of the Home Builders Association of Greater New Orleans.

More than 200,000 houses were damaged or destroyed by the hurricane. Between December 2005 and mid-2006, says Luther, there was a "fairly vigorous uptick" in remodeling and new construction. Things cooled considerably in 2007, though many HBA members kept busy with remodeling and renovation. Light commercial is going strong; there's barely any Class A office space to be had, he says.

"Most of the housing activity is in the city right now," Luther says. "We're seeing more infill, but it's scattered-site building,

FAST FACTS: NEW ORLEANS-METAIRIE-KENNER, LA.

POPULATION: 1,054,044

JOB GROWTH RATE: 3.1%

12-MONTH SINGLE-FAMILY PERMITS: 3,914

12-MONTH TOTAL PERMITS: 6,972

MEDIAN HOME PRICE: \$158,773

PRIMARY INDUSTRIES: Oil/gas/petrochemicals; tourism; business and professional services; ship building; aerospace manufacturing

Sources: MetroStudy; John Burns Real Estate Consulting; New Orleans Convention & Visitors Bureau

Photo: New Orleans Convention & Visitors Bureau/Ann Purcell



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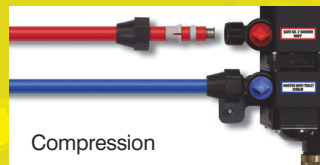
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not new subdivisions.”

Builder/developer Lawrence Kornman, owner of Sunrise Homes in Slidell, La., sees both positive and negative forces exerted on the market. On the negative side: credit tightening and the difficulties out-of-state buyers face trying to sell existing homes. Tougher, post-hurricane building codes are making it more expensive to build and remodel houses in New Orleans, and the cost of homeowners insurance has skyrocketed. On the positive side, remodeling and on-your-

“It’s tough for the big nationals because there typically isn’t enough land for large projects that would pay off for them,” Luther says.

But given what this city has already been through, anything is possible. “People call New Orleans the big test tube,” he says. “It will be interesting to see what happens with federal aid and the rebuilding effort.”

Rocket City Blasts Off

Huntsville, Ala.

Home builders in Huntsville, Ala., have reasons to be cheerful. The Pentagon’s 2005 round of military base realignments and closures is expected to add 4,700 new federal jobs at Redstone Arsenal in Huntsville by 2011. Those jobs will, in turn, create positions for 8,000 to 12,000 defense contractors. And at Cummings Research Park, 2,000 more jobs wait to be filled.

Multiply those jobs by the 2000 U.S. Census Bureau figures of 2.59 people per household, and the Huntsville metro area will likely grow by 40,000 to 50,000 people, says John Allen, president of the Huntsville/Madison County Builders Association. “We’ll need roughly 15,000 to 18,000 new homes to satisfy the demand,” Allen says.

Tucked into the foothills of the Appalachians, Huntsville is also home to major electronics, information technology, telecommunications and biotech companies. Its diverse economy, steady growth and conservative lending policies have helped it avoid a severe downturn. It benefits from low unemployment, mortgage rates that are at 40-year lows, and increasing home prices.

“The average selling price rose 67 percent from 2000 to 2007,” Allen says. New homes that ranged from \$80,000 to \$400,000 five years ago are now selling for \$125,000 to \$2 million.

Joe Murphy, a Madison-based builder/developer who coordinates research in northern Alabama for MarketGraphics Research Group, says that over the last three or four years the price of land tripled and then doubled again. “That’s what pushed everything up,” says Murphy. Allen adds, “We did have a slowdown in housing starts from November 2007 through January 2008, but that’s a typical winter cycle. I’ve noticed that a lot of production builders — the ones who do 10 to 60 homes a year — are starting to pull permits again.”

Murphy says most of the builders he’s surveyed (larger companies that do 100 houses a year or more) are running between 75 and 125 percent of last year’s volume. **PB**

FAST FACTS: HUNTSVILLE, ALA.

POPULATION: 376,738 (Huntsville/Madison County MSA)

JOB GROWTH RATE: 3%

12-MONTH SINGLE-FAMILY PERMITS: 3,074

12-MONTH TOTAL PERMITS: 4,257

MEDIAN HOME PRICE: \$128,921

NEAREST MAJOR CITY: Birmingham, Ala. (100 miles south)

PRIMARY INDUSTRIES: Aerospace and defense; telecommunications; education

Sources: MetroStudy; John Burns Real Estate Consulting; U.S. Census Bureau; Chamber of Commerce of Huntsville/Madison County
Photo: Huntsville/Madison County Convention & Visitors Bureau

lot building is very strong, says Kornman, and low-income housing tax credits are buoying the multifamily market. While there is some inventory from foreclosures, it’s being absorbed. “We’re not selling to [subprime borrowers] anymore, so when we make a sale, the chances of it falling through are much lower,” Kornman says.

He observes that New Orleans has become an entry-level market. Sunrise is building detached houses priced from the high \$190,000s to the mid-\$200,000s. Although the cost of labor and materials soared 25 to 30 percent right after Katrina, those costs are now coming down, says Kornman.

The latest Louisiana Economic Outlook projects that the New Orleans MSA will add 12,000 new jobs in 2008 and another 12,000 in 2009 — a growth rate of 2.4 percent annually. Several large construction projects are planned in and around the city, including a new six-lane span over Lake Pontchartrain.

Luther and Kornman think it’s unlikely that New Orleans will attract national builders. KB Home started a project in March 2006 but has since pulled out, citing slow sales.



A man in a blue plaid shirt and jeans is sitting on a wooden deck, leaning back against a railing. He is smiling and looking towards the camera. A red toolbox and a pair of work gloves are on the deck next to him. The deck is made of dark wood and has a white railing. The background shows a body of water and trees.

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A TREE TRANSFORMED

Long-time green builder Grey Lundberg is scrupulous about avoiding waste. One example: several trees were removed from a site in Cle Elum, Wash., and Lundberg reused them in the house. Beautiful in its simplicity, the vanity base in this powder room was milled in nearby Roslyn and finished with a non-toxic coating. The sink was carved from a granite boulder, its exterior left in a naturally weathered state. The Built Green Home at Cle Elum's Suncadia Resort also recycled downed trees to use in the fireplace mantle and ceiling beams.

Photo: Northwest Property Imaging

INSIDE

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Making detached infill work [page 50]

New homes respect the past [page 56]

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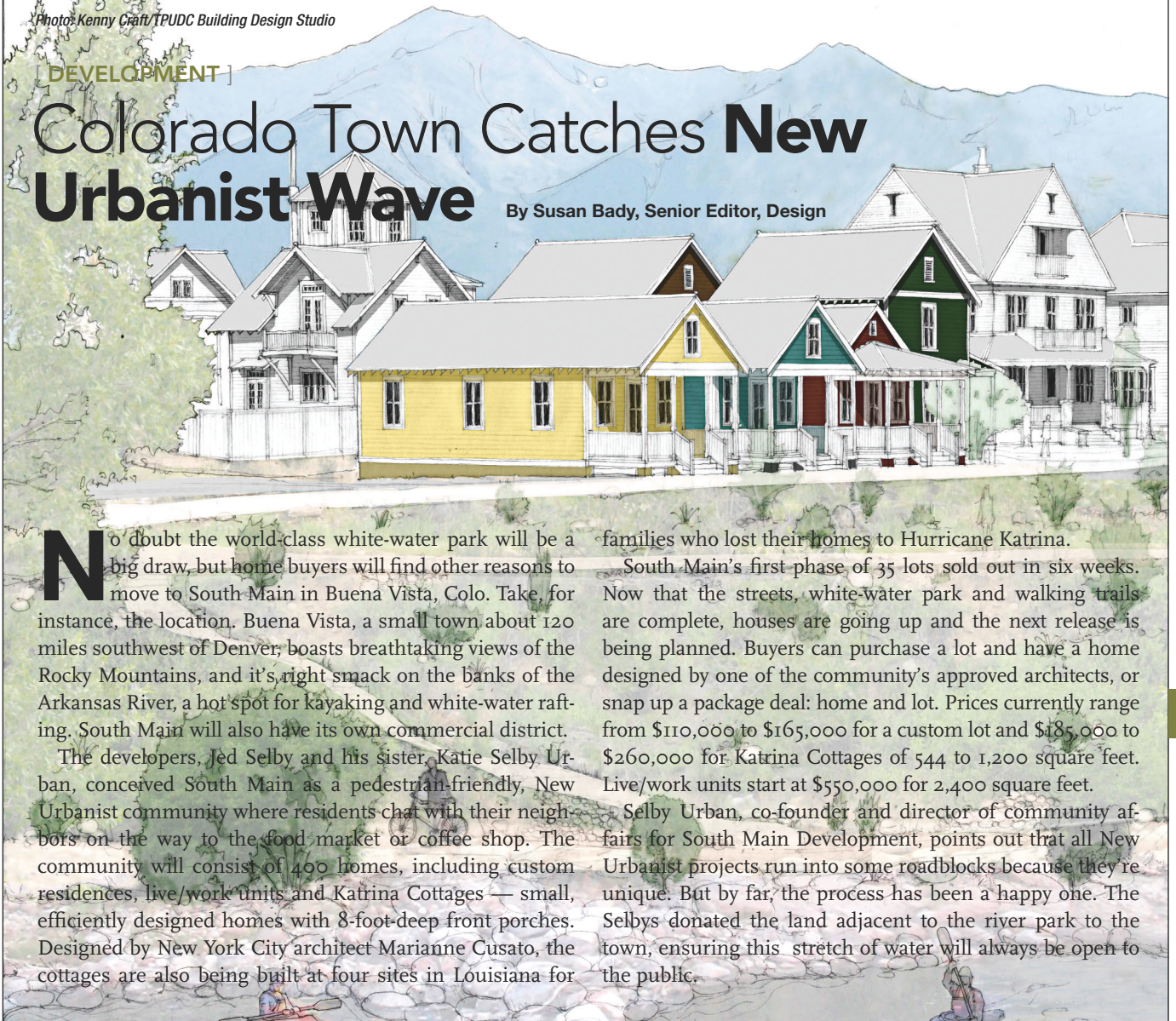
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Photos: Kenny Craft/TPUDC Building Design Studio

DEVELOPMENT

Colorado Town Catches New Urbanist Wave

By Susan Bady, Senior Editor, Design



No doubt the world-class white-water park will be a big draw, but home buyers will find other reasons to move to South Main in Buena Vista, Colo. Take, for instance, the location. Buena Vista, a small town about 120 miles southwest of Denver, boasts breathtaking views of the Rocky Mountains, and it's right smack on the banks of the Arkansas River, a hot spot for kayaking and white-water rafting. South Main will also have its own commercial district.

The developers, Jed Selby and his sister, Katie Selby Urban, conceived South Main as a pedestrian-friendly, New Urbanist community where residents chat with their neighbors on the way to the food market or coffee shop. The community will consist of 400 homes, including custom residences, live/work units and Katrina Cottages — small, efficiently designed homes with 8-foot-deep front porches. Designed by New York City architect Marianne Cusato, the cottages are also being built at four sites in Louisiana for

families who lost their homes to Hurricane Katrina.

South Main's first phase of 35 lots sold out in six weeks. Now that the streets, white-water park and walking trails are complete, houses are going up and the next release is being planned. Buyers can purchase a lot and have a home designed by one of the community's approved architects, or snap up a package deal: home and lot. Prices currently range from \$110,000 to \$165,000 for a custom lot and \$185,000 to \$260,000 for Katrina Cottages of 544 to 1,200 square feet. Live/work units start at \$550,000 for 2,400 square feet.

Selby Urban, co-founder and director of community affairs for South Main Development, points out that all New Urbanist projects run into some roadblocks because they're unique. But by far, the process has been a happy one. The Selbys donated the land adjacent to the river park to the town, ensuring this stretch of water will always be open to the public.

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Photo: All American Homes

Mighty Green Modular

Chicagans will learn how to live green in the city when a new exhibit opens this spring on the grounds of the Museum of Science and Industry. Shown is a rendering of the 2,500-square-foot, three-story modular home, the mkSolaire, which was designed by Michelle Kaufmann Designs of Oakland, Calif., and will be built by All American Homes of Decatur, Ind. The home will showcase the latest innovations in reusable resources, smart energy consumption and clean, healthy-living environments. It'll also include a state-of-the-art home automation system. The Smart Home: Green + Wired exhibit will be open to the public from May 8 through Jan. 4, 2009. You can purchase tickets in advance at www.msichicago.org.

INFILL-TRATIO



50



THIS QUIANT, COTTAGE-STYLE HOUSE by City Loft Corp. complemented a mixed-use development in the Old Cloverdale neighborhood in Montgomery, Ala.
Photos: City Loft Corp.

ON

Land for infill development often starts as an eyesore. But that ugly space could be perfect for your single-family plan.

By Annemarie Mannion, Contributing Editor



Scanning for land for your infill project often means overlooking the bleakness of abandoned buildings and empty lots. But if a home builder looks hard enough, such land can accommodate single-family homes — and bring opportunities for interesting designs that will enhance neighborhoods and be attractive to a wide range of buyers.

There are plenty of interesting neighborhoods in places throughout the country that are being overlooked. Gopal Ahluwalia, an economist with the National Association of Home Builders, notes the Office of Management and Budget has identified 360 metropolitan areas in the country; 51 percent of the houses in the United States are built in 50 of those metropolitan areas. That's a lot of opportunity.

That said, infill developments are tricky. Steven Brock, founder and CEO of Brock Built in Atlanta, says, "Patience is key. It's not like working in the suburbs. You have to deal with the city's bureaucracy and with scrutiny of neighborhood associations. They can be tough, but their hearts are in the right place."

We've identified builders whose hearts — and cash — were in the right place at the right time.

City Loft Corp.

When Harvi Sahota and Anna Lowder bought a dilapidated former A&P grocery store in an old neighborhood of Montgomery, Ala., they noticed how pretty the lots were next to it.



They had to overlook two rundown, 1920 houses that occupied the land. "The lots had some compelling features. They had old growth trees and there was a gentle slope to the land," said Lowder, a partner with Sahota in City Loft Corp. of Montgomery.

Unlike many builders and developers who envision condos or townhouses on larger infill lots, Lowder and Sahota saw

the site as ideal for single-family houses.

"Infill projects are usually multi-family because land is so expensive. Doing multifamily is a way to bring down land costs," said Steven Hovany, president of Strategy Planning Associates in Schaumburg, Ill.

Infill development of single-family houses presents unique design challenges, but Sahota and Lowder saw the eight houses they would build as a critical part of the multi-use project they were planning in the neighborhood, Old Cloverdale. The quaint, cottage-style design they wanted for the homes and their amenities were affected by the lot sizes, restrictions and the surrounding neighborhood.

Single-family houses allowed Sahota and Lowder to make a smooth transition between the existing neighborhood, which has only single-family houses, and the office/retail and loft spaces going up on the grocery store's site.

"We knew from the beginning that this location in such a historic Southern neighborhood required careful transition from mixed-use to stand

HOUSES IN THE FIRST PHASE of Legacy Square in Park Forest, Ill., boast bay windows and wide front porches.

Photo: Bigelow Homes



alone residential,” said Sahota.

Cloverdale has Arts and Crafts-style homes, Tudors and a lot of British-inspired architecture; however, details such as cypress wood shutters and clay bricks pay homage to the area’s rich Southern heritage.

The houses each have three bedrooms and 2½ bathrooms and sell from \$439,000 to \$479,000. Two of the eight houses have been sold since they went on the market in October.

Other details of the homes compel buyers.

“Buyers notice the quality of materials and the high standards of architectural details,” says Sahota. “We’ve included custom millwork on mantels, doors and window casings with historical profiles, mahogany front doors, custom cabinetry, 14-foot ceilings and locally made iron stair rails and garden gates and marble counters throughout.”

A challenge of fitting the homes on two lots measuring 70 by 240 feet also prompted Sahota and Lowder to make use of other Southern traditions. Instead of garages, the houses have parking arbors, which are cypress-covered, have space for two cars and are not visible from the street.

The site features a central courtyard

that separates groups of four houses on each side.

“Because of the layout, you feel like you’re hidden away,” said Lowder. “It feels secluded. It’s kind of like a European village.”

And each home also has its own small yard.

“The size of the side yards and gardens were impacted in the design,” said Sahota. “That turned out to be a good thing. We found buyers don’t really want a lot of yard. They want a smaller garden that they can just put stones over if they want and be done with it.”

Brock Built

If anyone knows about the challenges of fitting houses on small properties, as well as large ones, it’s Steven Brock. As founder and CEO of Brock Built in Atlanta, he has been building homes on urban infill properties for 23 years.

“We’re always on the look-out for emerging neighborhoods,” he said. “Those opportunities may be in a run-down old house on a small lot or in an industrial property with an obsolete warehouse that we can take down.”

One of Brock’s more intimate projects is 8 on Carroll, a development of eight single-family homes in Atlanta

with a view that would appeal to urban pioneers who seek a gritty city view.

“It’s a very urban setting. You can go back on your back deck and have a view of the Inman Rail Yard,” he says.

When it comes to building houses, small, irregularly shaped or unique pieces of property are not a deterrent to Brock.

“Sometime people think I’m crazy. I build houses on the freeway, on the railroad. We shoehorn them in,” he says.

Brock tore down three rundown houses that had occupied the property of 8 on Carroll. The site presented many design challenges.

“The lots are 50-feet wide. It’s a very steep topography, so we built a 20-foot-high retaining wall at the back of it,” he says.

The houses have front-loaded garages — “There was no way we could put a rear-entry garage on those [lots],” he says — and charming front porches. Other amenities include family rooms with fireplaces; large decks; and kitchens with granite counters and stainless steel appliances.

Brock said all of his houses have yards.

“We try to put a little yard with every house. It may be a small yard, but it al-



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The houses in 8 on Carroll are priced in the mid-\$300,000s and are designed in a Craftsman bungalow style. He wanted to complement the look of existing, nearby houses and to be in step with DuPont Commons, another much larger infill development that Brock is constructing nearby. It features single-family houses in a bungalow style, condos and townhouses.

“When we go into a neighborhood, we look at the architecture of the surrounding community. We try to create a design that’s compatible with what is already there,” he said.

Brock says the demand for single-family houses in infill properties is there because buyers see their value. Locations close to expressways, public transportation and other services lure home buyers. And many are not interested in the hassle and cost of an older house.

Bigelow Homes

Another builder in the Chicago area, Bigelow Homes, is just as confident as Brock about the market for single-family homes in infill situations. The company is preparing to construct the second phase of Legacy Square in Park Forest, Ill., a suburban community just 30 miles south of Chicago.

Michael Venetis, vice president of sales and marketing for Bigelow, expects a range of buyers from young professionals to empty nesters to families to live in Legacy Square.

“It’s a draw for families because infill neighborhoods tend to have better amenities and better schools. If you go to an outlying area, there’s not much out there for kids to do, or for adults for that matter,” he said.

The 88 homes will replace two shuttered department stores and a parking lot.

At Legacy Square, the houses will evoke a quaint feeling of a small-town neighborhood. They will have porches, bay windows and second-story balconies in a traditional style.

Builders of single-family houses on infill properties face challenges that builders in the open fields of farflung suburban subdivisions do not. They have to be more innovative in terms of floor plans.

“When you have a bunch of land to build on you don’t have to be as detailed with the floor plans. You don’t have to be as efficient,” Venetis said.

He points to the houses at Legacy Square as an example of efficiency. The houses will have between 1,100 and 1,700 square feet; rooms will be open, airy and multifunctional.

“We got real smart with the layouts so we can fill a lot of useable space into that square footage,” he said.

“The rooms are not chopped up visually so they look bigger.”

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Janko Group

Janko Group has purchased a former nine-hole golf course in Addison, Ill., where it plans to build a community targeted to active adults age 55 and over.

The development will have 31 single-family homes with 1,800 to 2,400 square feet priced in the low- to mid-\$500,000 range.

"Residents are interested in downsizing their square footage. But they don't want to downsize the quality of their lives," says Kevin Michaeli, president of land acquisition.

Officials in the community northwest of Chicago are hoping that the development, which will also feature 58 duplexes and 100 condos, will aid them in revitalizing their downtown business district.

The houses will come in two-story or ranch-style plans and will feature elements geared toward empty nesters, such as first-floor master bedrooms, open floor plans and wide hallways.

If Michaeli's experience is anything like Brock's in Atlanta, then that goal of sparking redevelopment of a neighborhood will

be realized. Brock said his role as an urban pioneer has led to an increase in prices of his houses and a rejuvenation of neighborhoods that once were considered rundown.

"The houses I built 10 years ago are selling for three times the price I sold them for," Brock said. **PB**

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HOMES AT TRAYMORE evoke arts and crafts style with such details as deep overhanging eaves with decorative brackets, carriage-house style garage doors, and six-over-one divided-light windows. "[The builder] showed sensitivity toward the architectural heritage of Rose Valley while interpreting it in his own contemporary way," says community planner Monica Drewniany.

Photos: 2008 Don Pearce Photographers

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[BEST ADDRESS]

PATRON OF

THE ARTS

A home builder's respect for the artistic legacy of Rose Valley, Pa., resulted in Traymore, a new community that seems to please everyone.

By Susan Bady, Senior Editor, Design

Rose Valley Borough may be located in suburban Philadelphia, but it's hardly a typical suburb. The tiny village has changed little in the last century. Residents are very protective of Rose Valley's legacy in the Arts and Crafts movement, and virtually nothing new had been built there for more than 40 years. So when home builder Chip Vaughan purchased the last remaining parcel of undeveloped land in the borough, his first priority was to preserve the special ambiance of the site while honoring the village's Arts and Crafts heritage.

The property that caught Vaughan's eye was the 25-acre Saul estate, a wooded parcel with several historic structures, including a manor house, studio and water tower. The site sits adjacent to a wildlife preserve and features steep slopes, wetlands and arboretum-quality trees and shrubs. Existing zoning would have allowed 1-acre lots spread across the entire property, but no one liked that scenario.

"I didn't think 1-acre zoning made sense," says Vaughan, co-principal of Vaughan & Sautter Builders in Wayne, Pa. Instead, he proposed doubling the density to 1.9 dwelling units per acre and building 43 carriage homes. Ten acres were donated to the borough to enlarge the wildlife preserve.

Feedback from focus groups and local residents indicated to Vaughan that move-downs and empty nesters were the appropriate target market. Though he wanted the homes at Traymore to reflect 1920s Arts and Crafts architecture, faithfully reproducing that level of detail would have been too costly.

"We were not trying to do a historic re-creation, but we did want to evoke that feeling while updating it to today's mar-

ketplace," says project architect Tom Weston, a principal with McIntyre Capron & Associates in Paoli, Pa. "Our biggest challenge was to have authentic-looking details while still being very conscious of the end product. In addition, the exteriors had to be low-maintenance."

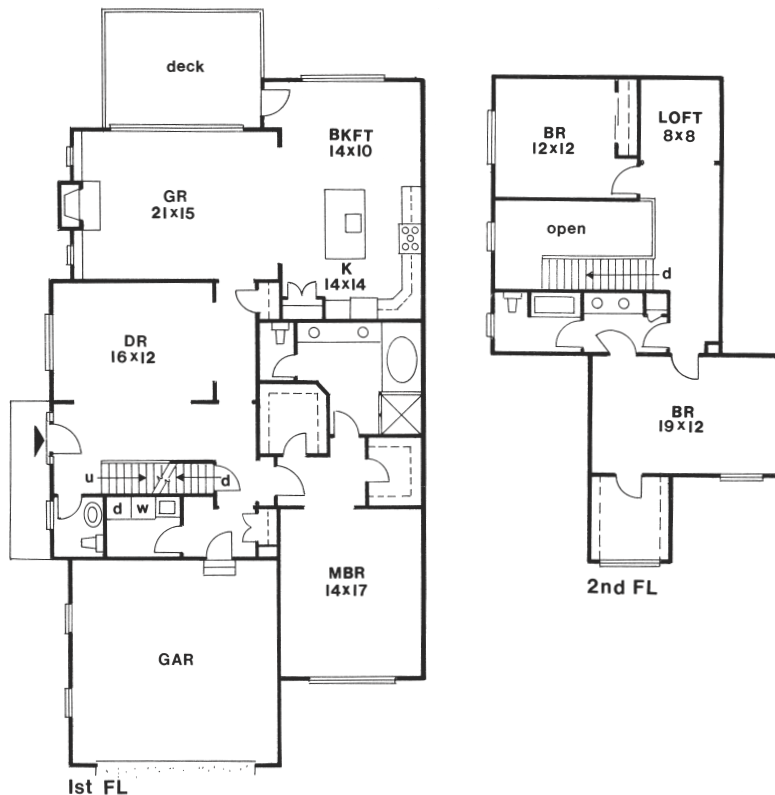
The low-maintenance requirement was met with synthetic trim; fiberglass roof shingles; a mix of stucco and fiber-cement siding; vinyl windows; and fiberglass entry doors. The windows have a six-over-one divided-light pattern, a green exterior and a 4-inch band of trim integrated into the unit. "The overall look was very authentic, yet it was a factory-produced window," says Weston.


Period authenticity is also conveyed by Arts and Crafts-style lanterns with seeded glass; bronze house numbers cast in a Frank Lloyd Wright lettering design; hand-made tile inserts; and hammered metal locksets on entry doors. Garage doors mimic carriage-house doors with multiple glass inserts and iron hardware.

The builder's commitment to detail carried through to signage and entry monuments. Vaughan built exact replicas of the piers that mark Rose Valley's streets, right down to the red tile roofs. Street signs feature scrollwork details unique to the borough.

Market leader

Homes at Traymore range from 2,544 to 2,912 square feet and are arranged in groups of two or three. For privacy, rear decks are placed away from the common wall. Exterior privacy walls ensure that homeowners can't see into each other's





A 15-FOOT CEILING with decorative trusses adds drama to the great room of the 2,726-square-foot Calvert model. Built-ins around the fireplace are a standard feature.

THE CALVERT'S KITCHEN (top left) includes an island with work space as well as informal seating and opens to a morning room. The water tower (left), one of the original buildings on the site, is being preserved as a historic landmark.



THE HADLEY, a 2,912-square-foot plan, has a side-entry garage and a second-floor master suite with an optional sitting room. Storage space can also be added over the garage. Exterior materials are all low-maintenance, from vinyl windows to fiber-cement siding and synthetic trim.

backyards.

Because home buyers in the Northeast are partial to formal dining rooms, all three floor plans have a dining room. The most popular plans are the Calvert, with its first-floor master suite, and the Hadleigh, which has a second-floor master bedroom with an elevator option. End units can be built as either master-up or master-down plans, giving Vaughan the flexibility to meet market demand. Upscale amenities and finishes such as fine millwork, built-ins and site-finished hardwood flooring are standard.

Traymore is defying the housing slowdown. Thirteen homes have been sold since the October 2007 opening, primarily to buyers age 50 and over. With heavy traffic and 2.5 sales per month, the community is well ahead of local competitors. Average sale prices are in the upper \$600,000s, with several sales in the \$700,000s. And there's a list of prospects waiting for specific lots to be released.

Although most buyers have homes to sell, Vaughan won't do a contingent deal. But so far, that hasn't been an issue. **PB**

PROJECT PROFILE

Traymore

Builder: Vaughan & Sautter Builders, Wayne, Pa.

Architect: McIntyre Capron & Associates, Paoli, Pa.

Interior Designer: Artisan's Design, Newtown Square, Pa.

PRODUCTS USED

Appliances: Bosch; Jenn-Air

Decks: Trex

Door hardware: Emtek; Schlage

Entry doors: Thermo-Tru Doors

Flooring: Custom

Cabinetry: Fieldstone

Garage doors: Wayne-Dalton

Hardscaping (pavers): EP Henry

HVAC equipment: Carrier

Plumbing fixtures: Kohler

Roofing: Tamko

Siding: HardiePlank

Windows: Paradigm



MAXIMUM GREEN SPACE

ROSE VALLEY BOROUGH planning officials hired Natural Lands Trust, a nonprofit land conservation group in Media, Pa., to create a development plan for Traymore and help write an ordinance to change the property's existing 1-acre zoning. Monica Drowniany, AICP, director of community planning for the trust, says this phase of the project took two years to complete.

"The borough was willing to consider higher-density housing for seniors in return for limiting site disturbance to less than half of the buildable ground," says Drowniany. "[The builder] got the higher density he needed (1.9 dwelling units per acre) and they got the open space they wanted."

Randall Arendt, senior conservation advisor to Natural Lands Trust, designed the site plan. Arendt also has a private consulting practice, Greener Prospects, based in Narragansett Pier, R.I. During a one-day visit to the property, he worked up a sketch plan, outlining open-space areas and natural features to be preserved.

"Basically, we all wanted to save the large trees and the historic buildings and ensure that the new construction was physically well-related to the older, quirky development pattern," says Arendt. "Having compatible architecture was also a concern."

Drowniany believes that what ultimately made the project a success was that the builder and the municipality got together early in the sketch-plan process to discuss mutual goals.

"I've never had the opportunity of just informally talking with a municipality before submitting a formal plan," says Chip Vaughan, co-principal of Vaughan & Sautter Builders in Wayne, Pa. "It gives us a chance to understand each other."



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TOPPED OFF & WRAPPED UP

The threat of climate change coupled with today's sagging economy and the ongoing energy crisis has led to home builders' looking for a new generation of roofing, siding, insulation and housewrap technologies. Monier's LifeTile, on this page, answers that call. It's a new roofing system that uses the company's elevated battens and hip-and-ridge products to slough water away, keep the roof cool and enhance the home's structural integrity.

Photo: MonierLifeTile

INSIDE

The right roofing and siding products
[page 65]

Insulation and housewrap wrap-up
[page 69]

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Builders looking for the retro-inspired feel of slate on their roofs without paying for it should take a gander at Atlas Roofing's StormMaster Slate shingle line. Part of the Platinum Package in the Atlas Signature Select Roofing Program of complete roofing systems, the StormMaster shingles carry a lifetime limited warranty and have a full swath of designer colors available.

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An Instant Klassic

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[ROOFING & SIDING]



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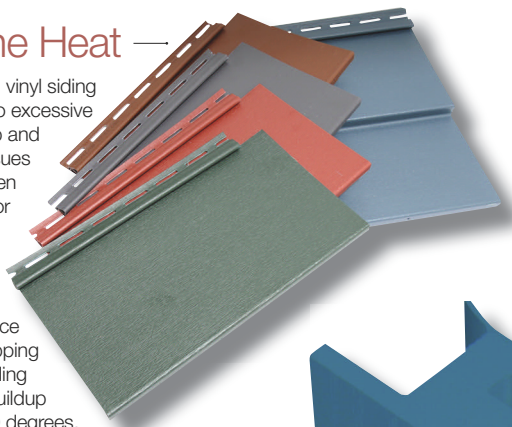
[ROOFING & SIDING]

Feel the Heat

Dark-colored vinyl siding often leads to excessive heat build-up and reflectivity issues that have been a bugaboo for builders.

Common dark-colored vinyl siding can experience warping, popping and color fading when heat buildup exceeds 160 degrees. TempRite's HDX220 exterior cladding can withstand temperatures in excess of 220 degrees in any climate.

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Caught in the Rain

Shakertown is now offering its Rain Screen technology on the Craftsman Cedar Shingle Panel line. Specially placed grooves on the back of the panels allow rain and condensation, as well as air, to flow both horizontally and vertically, which channels moisture away from the wall and down to the ground. The result is increased protection against moisture without adding thickness to the wall.

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Staying in Shape

Sporting innovative drain channels that divert water to the front face of the siding, Mid-America Siding Components' Mount Block for Fiber Cement Siding is designed to fit the thickness of all fiber cement panels with multiple locking positions.

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[INSULATION & HOUSEWRAP]

Wrap It Up



Fortify Your Homes

Billed as the industry's first hybrid housewrap, the WeatherTex by Fortifiber uses a layering of the company's Super Jumbo Tex 60-minute building paper over the WeatherSmart polymeric housewrap. The system forms a weather-resistant barrier perfect for use under stucco. **For FREE information, visit <http://pb.ims.ca/5645-136>**

Pactiv is Active

Qualifying as an air barrier is Pactiv GreenGuard's new MAX Building Wrap. It provides extremely high water and air resistance that exceed industry requirements. The barrier is suitable for residential and commercial applications. Rolls are available in 9-by-100-, 9-by-150-, and 10-by-150-foot lengths.

For FREE information, visit <http://pb.ims.ca/5645-137>

A Great Barrier

Installed into building exterior wall assemblies, often at the same location in which building felt or paper would be, is Carlisle Coatings's Barritech VP. It provides a continuous air and water barrier that allows passage of moisture vapor while eliminating the penetration of liquid moisture. This chemistry allows Barritech VP to keep rainwater out of the building envelope, while allowing indoor moisture to escape.

For free information, visit <http://pb.ims.ca/5645-138>



Riders on the Storm

Made specifically for high-wind areas where impact resistance is a key design element, TyPar's StormWrap is a fiber-reinforced wrap strong enough to maintain integrity of the building envelope. It combines the company's traditional housewrap formula with the extra fibrous materials that provide extra protection against wind-borne projectiles. The product meets the standards of the Florida Building Code.

For FREE information, visit <http://pb.ims.ca/5645-139>

All Wrapped Up

Installing just like typical OSB wall sheathing is Georgia-Pacific's Nautilus. The wall sheathing panels feature a pre-applied weather-resistant barrier and tape using the similarly-named Nautilus 3-inch wide seam tape. The installation process is faster, according to Georgia-Pacific, thanks to the visible nailing guidelines and the elimination of a two-step sheathing/building wrap installation.

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[INSULATION & HOUSEWRAP]



Vapor Foiled

The multipurpose Flash & Foil by Fi-Foil combines the company's VR Plus Shield reflective insulation with spray foam insulation. According to Fi-Foil, the combination of foam and reflective air space effectively addresses all the modes of heat transfer. Flash & Foil can also function as a vapor retardant by specifying the standard or non-perforated version of VR Plus Shield.

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Spray 'N' Seal

Spray-applied Sealection Agribalance by Demilec USA goes on as a liquid then expands up to 120 times its size to stuff every nook and cranny and stop air infiltration and noise. It has a non-toxic spray foam formula that, according to Demilec, has undergone extensive testing and meets the intent of all building code requirements.

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A man's head is shown in profile, looking upwards. On his forehead, a small yellow construction vehicle, resembling a skid steer loader or a small excavator, is perched. The vehicle is yellow with black tires and a black bucket.

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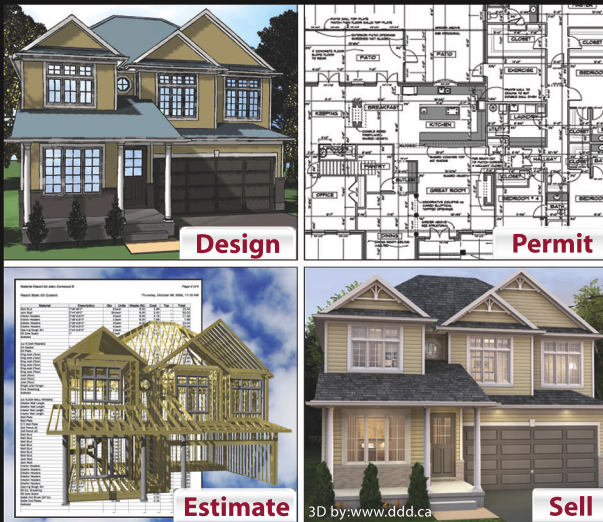
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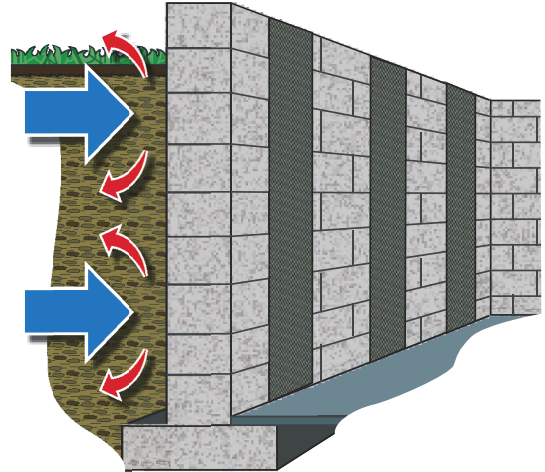
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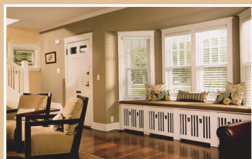
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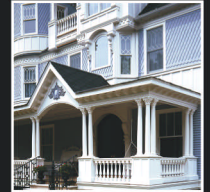
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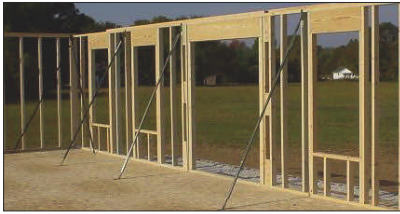
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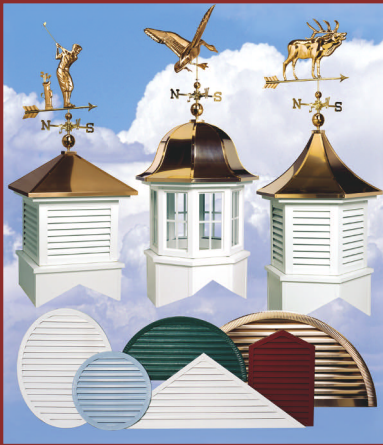


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Think about it

50,000

The New York Times reported on a house that is covered in more than 50,000 empty cans of beer. It's known, of course, as the Beer Can House. According to the Times, from 1968 until his death, John Milkovich cladded his house and workshop with flattened beer cans. Take one down, pass it around ...

\$8M

Pulte Homes and Centex Homes bought land in Rancho Cordova, Calif., for \$50 million in 2004 and supposedly pumped another \$30 million into the property. They sold it to land developers for 16 cents on the dollar, or the deeply discounted price of \$8 million, the Sacramento Business Journal reported.

270%

Reverse mortgages are a \$20-billion-a-year industry, with **older homeowners taking out 132,000 of these loans in 2007** — an increase of 270 percent from two years earlier. Hundreds of seniors or retired persons who have sought reverse mortgages have complained — in lawsuits, surveys and conversations with elder-care advocates — about **high-pressure or unethical sales tactics** they say steered them toward loans with very high fees, The New York Times reported.



\$75,000

Life is expensive, and **many Americans struggle to make ends meet**. But it's not the people you think who are in this position: one-third of Americans earning more than \$75,000 a year — **a more than decent wage in most parts of the country** — say they live paycheck to paycheck, according to MarketWatch. No wonder we're stressed.

70%

Stephen Melman, NAHB's director of economic services, cites NAHB statistics to The Wall Street Journal showing that **70 percent of American homeowners now enter their homes mainly through their garages**, so they want those garages to look more like entrances than dumps.

\$610 million

In early March, **Thornburg Mortgage**, the second-largest independent mortgage lender in the U.S., reported that **its survival was at stake** because it was unable to meet \$610 million of margin calls.

\$22 million

Cahuenga Peak, the land next to the famous Hollywood sign, is up for sale for a whopping \$22 million. **Fox River Financial Resources acquired the mountaintop in 2002 from the estate of Howard Hughes** for almost \$1.68 million, the LA Times reported. The 138-acre property is zoned for five luxury homes.



90 years

Orleans Homebuilders celebrates **90 years and three generations of leadership** this year. Over the course of those years, the company has built **more than 85,000 homes**. Happy 90th!



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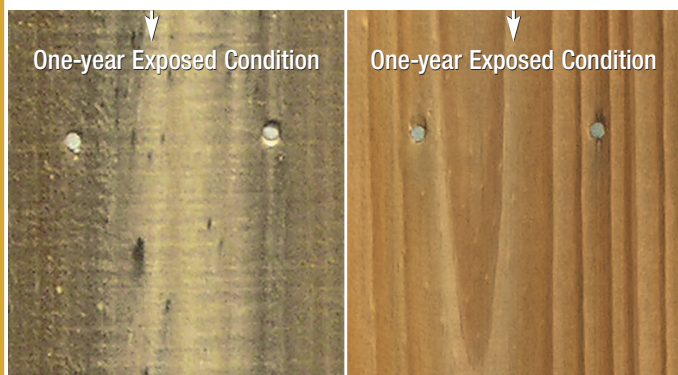
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