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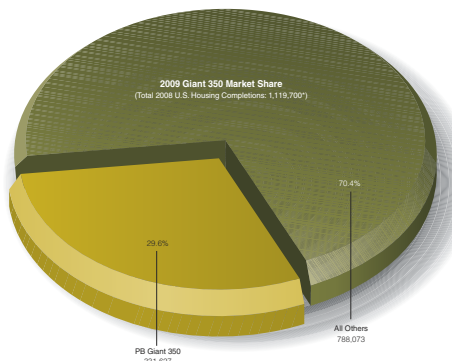
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Minus 50

The Giant 400 survey has shrunk to the Giant 350. Anyone surprised?

For more than 40 years, *Professional Builder* has published the Annual List of Housing's Giants. It's our signature research piece and so significant we own the trademark. In recent years, the list has become more familiarly known as the Giant 400, because it lists the 400 largest home builders in the United States.

This year 400 has become 350.

Our researchers made Herculean efforts to find builders large enough to call "giants." In the end, we stopped at 350 because the smallest of these behemoths closed a mere 50 homes last year. To go below that number, we reasoned, would be to give false pride to the name giants.

None of this is surprising. Getting to 350 wasn't easy. Not only did we have to find companies who had never approached our list before, we had to talk everyone into completing our survey. We met some resistance.

The most amazing thing to me was how many people suggested that we just shouldn't bother with the research this year. Their arguments fell into two camps. On one side were the cynics who believed identifying the largest businesses in this era of foreclosure, bankruptcy and failure was a fool's errand. In the other camp were those who believed that what we were doing was not good for the industry. As a trade magazine, they argue, we should be extolling only the good about housing. The industry gets enough bad press from the consumer side of media without its own trade publications bringing up the warts and ugly undercarriage of an industry that's down, they argued.

I empathize and somewhat agree with that assessment. However, we can never be just shills for the industry. The result would be the opposite of what we intend. If we only reported good news, our audience — home builders — would only hear what they wanted to hear, and they would be at a disadvantage in the marketplace. That undermines our mission to help our readers succeed.

Instead, we worked long hours on the phone to provide an accurate portrait of what is happening with the larger home builders in 2008. That report, the "Annual Report of Housing's Giants," delivers that in-

formation in a concise manner that we feel is important to our readers.

We've expanded coverage on the *Professional Builder* channel of HousingZone.com. There you can find a printable poster of the largest home builders, data on past surveys and more information about the companies in this year's report, including factory-built providers and a list of Giant 400 companies that haven't made it through the downturn. Go to www.probuilder.com/giant400.

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

Find more in-depth coverage of this year's report at www.ProBuilder.com/Giant400.

LinkedIn, Facebook, Twitter ...

We're everywhere. Find the group *Professional Builder* on LinkedIn and Facebook, then follow Editorial Director Paul Deffenbaugh on Twitter at www.twitter.com/PDeffProBuilder.

New day, new products

We offer several ways to stay on top of the latest and greatest in new products. The easiest: bookmark www.housingzone.com/products. That's home base for our products guy, Nick Bajzek, and the rest of the staff. Our products page features a new product daily, information straight from manufacturers as well as a place to read about products in mainstream media.

News from our sister publications

ProBuilder.com and HousingZone.com are gateways to industry-wide information from our sister publications *Housing Giants*, *Custom Builder* and *Professional Remodeler*. Make a point to check out, for example, Jay Sweet's blog at www.housingzone.com/sweet. The senior editor for *Professional Remodeler* covers housing stimulus information, design trends, marketing tips and more that apply to production builders, too.

Watch and react

Part of our daily coverage at ProBuilder.com and HousingZone.com includes videos — a perfect way to take a break from reading and catch up on home building news.

2010's Builder of the Year

Applications for our next Builder of the Year are right around the corner. Visit ProBuilder.com's Awards & Events section for criteria and more information.

View Webcasts year-round

Miss a Webcast? Want to watch one again? Click on the Webcast icon at ProBuilder.com to access our publications' Webcasts going back to 2007, including favorites such as "Design Stars: Winning Homes from the Best in American Living Award" and "Green Is Hot: Why So Much Resistance?"

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Visit www.probuilder.com/giant400 or email
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Professional Builder®

VOL. 74 NO. #5

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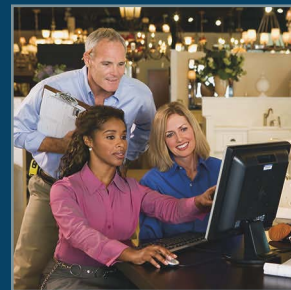
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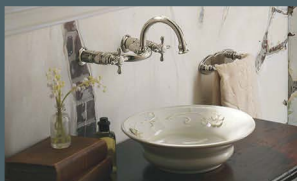
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400 DOWN

What used to be the Giant 400 is now the Giant 350. Our Annual Report of Housing's Giants lost 50 members compared with last year's report. Some went out of business. Some went bankrupt. Some just stopped building. Many just couldn't make the cut. We show where the top companies stand.

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[CUSTOMER SATISFACTION]

Do you know your **online audience's** behavior?



To build a vibrant online community, home builders have to understand the types of online audiences that buyers represent.

By Paul Cardis, Avid Ratings

Though you might not have your own Facebook or Twitter account, chances are you have experienced Web 2.0, which refers to the second generation of Web development designed to foster social networking via the Internet. Blogging, video sharing, product reviews, instant messaging and news groups are just a few examples of Web 2.0's social technologies in action.

Indeed, home builders have a lot to gain by implementing Web 2.0 tactics — from blogging about neighborhood developments to posting video

level of online participation. Therefore, it's important that you understand as much as you can about your target audience's online behavior and the kind of online experience they want to have before embarking on any E-marketing or social networking strategy.

Using consumer surveys, Forrester Research Social Technographics has identified six overlapping levels of online participation: Inactives, Spectators, Joiners, Collectors, Critics and Creators. Knowing which groups best identify your target audiences will help ensure that your Web 2.0

Collectors organize content by using RSS feeds; adding tags to web pages or photos; and bookmarking sites.

Critics respond to content by posting comments; contributing to forums; and reviewing or rating products and services.

Creators power social networks by publishing blogs and Web sites; uploading original video and audio; and posting original text.

Though a Web user might fall primarily into one of these groups, chances are that he or she overlaps with others. For example, a Spectator who primarily consumes online content might occasional upload photos to his or her Facebook page, thus overlapping with Creators and Joiners.

Home builders must understand how these groups are represented in their target audiences to make sure that a Web 2.0 strategy has a good chance of being successful. **PB**

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

Cardis' Tips

BE CUSTOMER-CENTRIC

Any Web 2.0 strategy should ultimately benefit the home buyer.

BE INTERACTIVE

Provide opportunities for customers to contribute and explore content.

BE FLEXIBLE

Design content for multi-channel delivery, including web, e-mail and even mobile phones.

BE INFORMATIVE

Aggregate information about the neighborhood, city, schools, churches, recreation programs and other civic organizations.

KNOW YOUR CUSTOMERS

Not all home buyers will react to your Web strategy the same way.

Knowing which groups best identify your target audiences will help ensure that your **Web 2.0 efforts have a tangible ROI.**

tours of model homes. But none of these efforts work if you don't understand your online audience.

The biggest mistake companies make is to simply deploy a Web 2.0 technology and think that their marketing goal will be reached. But nothing could be further from the truth. The fact is, Internet users differ greatly in their

efforts have a tangible ROI.

Inactives don't create or consume any online social content.

Spectators consume content by reading blogs and product reviews, watching videos and listening to podcasts that others have posted.

Joiners participate in social networks, such as Facebook and MySpace.



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

When Will It End?



14

The housing crash that began in 2005 finally pulled the entire U.S. economy into its irresistible vortex in 2008. The largest production builders may never be the same again. This is the Annual Report of Housing's Giants.

By Bill Lurz, Senior Editor

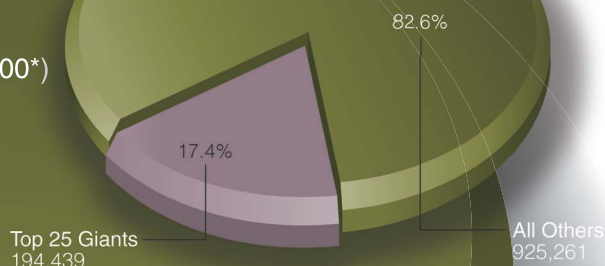
It's doubtful we'll hear any builders brag about their performance in the 2009 Annual Report of Housing's Giants. Most are losing money — even those on the rise in the rankings. Still, this report provides a fascinating snapshot of America's housing industry as 2008 ended.

By then, casualties of housing's apocalyptic crash included not only many ranked giants but the entire American mortgage finance system — including Fannie Mae and Freddie Mac, the government-sponsored enterprises at its heart. This magazine started its research looking for the customary Giant 400, but we found only 350 production builders during our three-month survey period, even when we cast a net for firms with as few as 50 closings.

Attrition is the key change in the 2009 giants. Even lowering the threshold to just 50 closings, only 350 firms made it, and they are a lot smaller than the giants of earlier years.

GIANTS' MARKET SHARE OF U.S. HOUSING completions tumbles: We can't make apples-to-apples comparisons to past years because only 350 giants are ranked this year, while previous years all had 400. But non-giants market share now tops 70 percent.

2009 Top 25 Giants Market Share
(Total 2008 U.S. Housing Completions: 1,119,700*)



Sources: *Professional Builder* 2008, 2009; *U.S. Department of Commerce

2009 Giant 350 Market Share

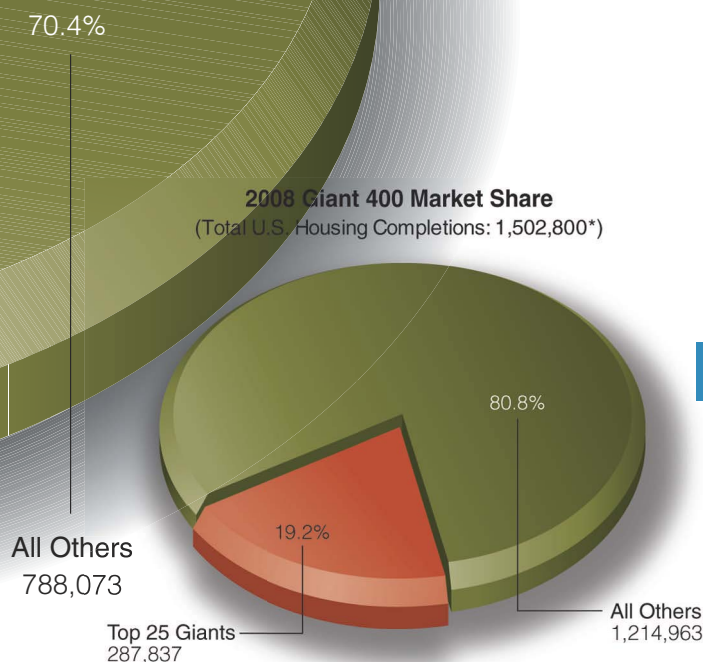
(Total 2008 U.S. Housing Completions: 1,119,700*)

29.6%

PB Giant 350
331,627

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

2008 Giant 400 Market Share
(Total U.S. Housing Completions: 1,502,800*)



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

We Rank on Revenue

We're in the fourth year of a housing recession that makes clear why *Professional Builder* ranks housing giants on revenue, not units closed: home builders stay in business by making money, not just building houses.

PB uses a two-step process. First, production builders are sorted by units closed in the previous calendar year — or the company's most recent fiscal year. For 2009, we set a closings threshold of 50 units. (Last year, the lowest closings total for any Giant was 82 units.) Secondly, PB does another sort by revenues to finalize the rankings.

This year especially it makes a big difference. NVR is No. 5 in revenues but only No. 7 in closings. Toll Brothers is No. 7 in revenues but would be No. 13 if ranked on units.

Which would you rather have: closings or cash?

IF WE ISOLATE THE TOP 25 GIANTS, those firms' share of total U.S. housing completions dropped from 19.2 percent to 17.4 percent over the past year. The big public builders are, once again, miles from reaching their goal of market domination.

MORE COVERAGE ONLINE

Head to ProBuilder.com/giant400 for more coverage of this year's Annual Report of Housing's Giants.

- Drill down into the numbers
- Learn about KB Home's new product line that will comprise half its 2009 deliveries
- Read where the rental market stands and how first-time buyers fit into the picture
- Order a rankings poster

Chaos Skewers Rankings

It's certainly a stretch to call No. 350, John Kavanagh Co. of Greensboro, N.C., a giant. The firm recorded only 55 closings for \$7.9 million in 2008. In 2006, Lockwood Construction of Bingham Falls, Mich., was the smallest company on the list with 156 closings for \$14.7 million. And John Kavanagh folded his business last month. "The market just totally dried up," he told *The Business Journal of the Greater Triad Area*.

Kavanagh is not the only ranked builder now out of business. Glance down the 2009 giants list (online at www.probuilder.com/giant400) and you'll find prominent companies such as No. 32 Mercedes Homes of Melbourne, Fla. (filed for Chapter 11 protection in January, 2009), and No. 34 WCI Communities, the Bonita Springs, Fla.-based public company (filed in August last year). The 2004 PB Builder of the Year WL Homes of Newport Beach, Calif., was the No. 22 builder as recently as two years ago, but it dropped to No. 51 this year — and filed in February 2009. These companies are still in the rankings because they closed homes and booked revenue in 2008. But their presence reinforces that attrition is the story.

A New Top 5

In every big housing recession, a Top 5 builder seems to go

down. (In 1992, U.S. Home Corp. filed under Chapter 11.) It finally happened in this crash, when No. 1 Pulte Corp. of Bloomfield Hills, Mich., recently announced it will purchase Dallas-based No. 3 Centex Corp. in a straight stock deal set to close later this year (go to HousingZone.com for complete coverage). But for our rankings that cover 2008, those two are still in the Top 5 with Fort Worth, Texas-based No. 2 D.R. Horton and Miami-based No. 4 Lennar Corp.

However, Reston, Va.-based public builder NVR, the darling of the housing stock analysts, makes a big splash this year by climbing from No. 7 to No. 5 — with \$3.6 billion in revenues from 10,741 closings in 2008 — at the expense of Los Angeles-based KB Home, which dropped all the way to No. 8 (\$2.9 billion from 12,438 closings). SEC filings show NVR even made money in 2008 (\$101 million), while the rest of the Top 5 lost a combined \$5.8 billion, about 80 percent of that in land impairments. No wonder most of the public builders are trying to remake themselves to look more like NVR, which owns no land and has virtually no debt.

The implosion of the big public builders in the last three years is mind-boggling. Pulte had \$5.98 billion in 2008 revenues, edging D.R. Horton (\$5.44 billion), even though D.R. Horton beat it in closings 23,915 to 21,022. But three years

Housing Product Comparisons

Product	Giants' 2008 Product Revenue	% Total Revenues	Giants' 2008 Closings	% Total Units
Single-Family Detached	\$61,947,520,165	73.3%	219,407	66.2%
Low-Rise Condo/Townhouses	\$11,572,142,296	13.7%	44,220	13.3%
High-Rise For-Sale Units	\$1,765,360,134	2.1%	2,521	0.8%
Joint Venture For-Sale Units	\$668,899,349	0.8%	1,180	0.4%
Total For Sale	\$75,953,921,944	89.9%	267,328	80.6%
Low-Rise Rental Units	\$6,867,613,624	8.1%	56,078	16.9%
High-Rise Rental Units	\$1,091,552,966	1.3%	4,650	1.4%
Joint Venture Rental Units	\$619,429,020	0.7%	3,571	1.1%
Total Rental	\$8,578,595,610	10.1%	64,299	9.4%
New Residential Totals	\$84,532,517,554	100%	331,627	100%

Source: *Professional Builder* 2008, 2009

2009 GIANTS STILL BUILT mostly single-family detached houses last year and derived an even higher percentage of revenues from detached homes ...

New Privately Owned Housing Units Completed in the U.S.

	2008	2007	# Change	% Change
Single-Family Units For Sale	819,000	1,218,000	-399,000	-32.8%
For-Sale Units in bldgs. of 2 units or more	101,000	116,000	-15,000	-12.9%
Total For Sale	920,000	1,334,000	-414,000	-31.0%
For-Rent Units in bldgs. of 2 units or more	200,000	169,000	31,000	18.3%
Total For-Sale + Rental Units	1,120,000	1,503,000	-383,000	-25.5%
One-Family units as a % of Total Units	73.1%	81.0%		
Total For-Sale buildings of 2 units or more as a % of Total Units	9.0%	7.7%		
Rental Units as a % of Total Units	17.9%	11.2%		

Source: U.S. Department of Commerce

BUT U.S. COMMERCE DEPARTMENT DATA shows rental housing up and single-family production down. No wonder apartment builders dominate the list of giants with increasing revenues.

Top 10 Rental Builders

2009 Rank	2008 Rank	Top 10 Rental Builders	2008 Rental Unit Completions	% Change over 2007	2007 Rental Unit Completions	Change in Units
18	16	Trammell Crow Residential/ Dallas	8,194	-20.9%	10,363	-2,169
23	45	Hunt Building Company/ El Paso, TX	7,558	80.0%	4,198	3,360
28	43	Clark Realty/ Arlington, VA	4,130	-25.4%	5,536	-1,406
17	57	AvalonBay Communities/ Alexandria, VA	4,036	130.8%	1,749	2,287
21	44	Wood Partners/ Marietta, GA	3,612	114.1%	1,687	1,925
29	52	A.G. Spanos Companies/ Stockton, CA	3,360	8.9%	3,084	276
33	28	Lincoln Property Company/ Dallas	2,387	-49.6%	4,740	-2,353
43	23	Alliance Residential Company/ Phoenix	2,269	-67.7%	7,022	-4,753
215	353	Herman & Kittle Properties/ Indianapolis, IN	2,172	67.9%	1,294	878
67	305	Flournoy Construction Company/ Columbus, GA	1,792	121.8%	808	984

Sources: *Professional Builder* 2007, 2008, 2009

OF THE 33 GIANTS that actually increased revenues over the past year, nine of the Top 10 were rental builders.

17

ago, Pulte closed 45,630 homes for \$14.37 billion and D.R. Horton had 51,383 closings for \$13.72 billion.

Just in the last year, Pulte's revenue is down 32.7 percent, Horton's 43.1 percent, Centex's 42.5 percent and Lennar's 56.1 percent. Even NVR is off 27.9 percent in revenue.

Texans, Rental Builders Still Moving Up

A year ago, we noted the extreme volatility the housing crash imposed on the giants' rankings, and it's still there. Some 184 giants rose 10 positions or more (even though many lost ground in revenues and closings), 58 firms dropped 10 positions or more, while 33 dropped out of the rankings entirely.

Another trend from a year ago is also still in place: the ascendance of Texas builders and rental housing producers.

For instance, Arlington, Texas-based Wall Homes, identified as a shooting star a year ago, continued its meteoric rise from No. 171 last year to No. 81 in 2009, but filed for Chapter 11 protection in January this year. But the housing recession is not as severe in Texas. Giants that build only in that state are down 22.3 percent in revenue, compared to 39.1 percent for builders operating entirely outside Texas.

Meanwhile, of the 33 Giants that actually increased revenues over the past year, nine of the Top 10 were rental builders. Included is this year's most notable shooting star: AvalonBay Communities, an Alexandria, Va.-based real estate investment trust (REIT) that rose from No. 57 to No. 17 by pushing

up production 130.8 percent (from 1,749 to 4,036 units), and revenues up 137 percent to \$1.04 billion.

What Giants Say About 2008

"The most serious examination of business skills I've experienced in 37 years in housing." — Phil Fankhauser, No. 47 Epcon Communities, Dublin, Ohio

"I'm glad it's over. How could this happen with interest rates so low?" — David Weekley, No. 19 David Weekley Homes, Houston

"Most challenging year in the history of production building, and '09 will be just as bad." — Tom Krobot, No. 39 Ashton Woods Homes, Roswell, Ga.

"I'm tired of talking about it, but I'm sure glad I'm not building outside of Texas." — Bill Darling, No. 58 Darling Homes, Frisco, Texas

"A watershed that forced us to rethink the future." — Sheryl Palmer, No. 10 Taylor Morrison, Scottsdale, Ariz.

"It wasn't nearly as bad as 2009 is going to be, but our plan is to grow again in 2010." — Don Horton, No. 2 D.R. Horton, Fort Worth, Texas

Movers and Losers, But Not Many Winners

If we ranked housing's giants on 2008 profit, we'd have a short list. Many companies making big jumps lost ground in revenues and closings. They're not profitable either, but they look like survivors. Those that dropped have to be in trouble.

The closer to the top, the harder it is to move up — so advances of NVR (No. 7 to No. 5) and Scottsdale, Ariz.-based Taylor Morrison (No. 13 to No. 10) are significant, even though both retreated in units and revenue. Taylor Morrison CEO Sheryl Palmer says she doesn't buy the idea that the first-time buyer market segment is the place to be. She favors site-specific analysis: "We were aggressive," she says. "We started to re-position early and had new product on the ground in 2007. In some places, we re-positioned away from entry product simply because everybody else was jumping into it."

Smaller, Smarter Move-Up Houses?

Atlanta move-up maven John Wieland rose five spots (No. 42 to No. 37) even though his closings dropped from 1,106 to 711 and revenues from \$582.7 million to \$400 million. To survive, he says he's managing cash carefully and marketing that now is a great time to buy. "We're also getting fresh architecture out there," he says. "It's got to be smaller. The age of conspicuous consumption is over."

10 Biggest Moves Down in Giants Rank (not including companies with estimated data)

2009 Rank	2008 Rank	# of Rank Changes	Company	City	State
228	77	-151	Trend Homes	Gilbert	AZ
240	105	-135	Trimark Pacific Homes	Westlake Village	CA
338	228	-110	Kalian Companies	Red Bank	NJ
289	186	-103	Breakstone Construction Company	Hollywood	FL
294	208	-86	Westrum Development Company	Fort Washington	PA
346	260	-86	Kennedy Homes	Deerfield Beach	FL
237	154	-83	Shelby Homes	Fort Lauderdale	FL
203	127	-76	Cachet Homes	Scottsdale	AZ
131	58	-73	Sares-Regis Group	Irvine	CA
157	86	-71	Avatar Holdings	Coral Gables	FL

Source: *Professional Builder* 2008, 2009

BIG RETREATS MOSTLY HAPPEN TO builders in states where speculative pricing bubbles burst, such as Florida, California and Arizona.

NVR's Move Is Not About Land

NVR's jump to No. 5 in PB's revenue-based rankings validates the firm's renowned business model, but what's missed is that land is really a small part of both the move and the model.

NVR's 2008 closings dropped 20.5 percent and revenues 27.9 percent — far less than other public builders — because the firm's business is concentrated in the Mid-Atlantic, especially Washington, D.C., where the market was not as depressed as elsewhere. NVR's average price stayed high (\$373,580), which helped the firm move up. Not owning land helps the bottom line, not the top.

How'd NVR do it? It's a manufacturing strategy, with the firm's panel plants as distribution centers. How it builds — logistics, distribution and the home assembly process — makes it work, not land lightness. "They are home manufacturers, not land developers. They make money on the box, not the dirt," says San Francisco-based stock analyst Carl Reichardt of Wachovia Securities. "They only build within the 100-mile shipping radius of their plants and eliminate land risk because they don't need it to make money. Land is just a raw material. Even today, they operate at 9 percent margins."

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Canadian Dough Rising

Now headquartered in Winter Park, Fla., the U.S. division of Canadian giant Mattamy Homes moved up (No. 117 to No. 68) on the strength of infusions of capital from north of the border. “We have a strong parent,” says U.S. Division President Steve Parker, who’s been on a land-buying spree in Central Florida. Mattamy also operates in the Carolinas, Minnesota and Arizona.

Look for Mattamy to move into Tampa, Fla., and Raleigh, N.C., soon. “We’re positioned to grow with low-cost land as U.S. markets recover,” Parker says, “but we’ll do it in cities close to where we are now.”

THEY’RE ALL RENTAL APARTMENT BUILDERS, except for LGI Homes. The Conroe, Texas, entry builder made a small upward move in units (434 to 475) and revenue (\$59 million to \$63.4 million) to spike 115 places to No. 163.

10 Biggest Movers Up in Giants Rank

(not including companies with estimated data)

2009 Rank	2008 Rank	# of Rank Changes	Company	City	State
67	305	238	Flournoy Construction Company	Columbus	GA
199	378	179	True Homes	Monroe	NC
117	279	162	Epoch Properties	Winter Park	FL
215	353	138	Herman & Kittle Properties	Indianapolis	IN
138	274	136	Marlyn Development Corp.	Virginia Beach	VA
121	249	128	HHHunt Corp.	Blacksburg	VA
164	292	128	Simpson Housing	Denver	CO
88	213	125	Westwood Residential Co.	Plano	TX
52	174	122	Albert D. Seeno Construction Co. / Discovery Builders	Concord	CA
163	278	115	LGI Homes	Conroe	TX

Source: *Professional Builder* 2008, 2009

Who’s Got Land?

Most of the big public builders are still singing the land impairment blues, partly because they act much more like land developers than home builders. Their business model is broken beyond repair, but they don’t know how to fix it. The only way they know to make money is by adding value to land.

That’s why they continue to write down land assets that should have been dumped years ago. David Goldberg, housing stock analyst for UBS Securities, chronicles the total impairments at the end of 2008 for the top four builders (NVR doesn’t play this game):

No. 1 Pulte: Total on-balance-sheet impairments of \$3.5 billion, \$424 million in write-offs of land deposits and pre-acquisition costs, \$303 million in impairment charges related to land held in joint ventures. Also includes goodwill write-off of \$375 million. Percentage of book value: 46.

No. 2 D.R. Horton: \$3.8 billion of impairments on owned lots and \$345 million from the forfeiture of option deposits and pre-acquisition costs. Also includes \$553 million of goodwill impairments. Percentage of book value: 48.3.

No. 3 Centex: \$3 billion from land impairment charges (including \$327 million in joint ventures), \$524 million from the forfeiture of option deposits and pre-acquisition costs and goodwill of \$116 million. Percentage of book value: 46.5.

No. 4 Lennar: \$2.6 billion of inventory adjustments (including \$860 million from joint ventures), \$787 million of

write-offs of option deposits and goodwill write-offs of \$217 million. Excludes \$740 million loss related to sale of land to Morgan Stanley Real Estate. Percentage of book value: 40.

No wonder the largest public builders want to morph into NVR, but they can’t do it just by changing their land strategy. The NVR model is really about manufacturing and distribution, not just buying lots on rolling options.

Broken Business Model

Goldberg believes the largest public builders are near the bottom of the land impairment cycle, because home price-cutting is near its end. “When you stop cutting prices, you get a break on impairments,” he says, “because it’s non-discounted cash flow you’re starting with. ... But it won’t be totally over for a couple of years.”

All the public builders have migrated down in price, Goldberg says. Many are now back in the entry market.

“But the bigger issue is, where do you find a business model that will function again?” he asks. “Right now, builders can’t buy raw dirt, develop it, pay all the entitlement fees, build a house and sell the house and lot for positive cash flow. The only way you can make money is by buying the land at a big discount, and that won’t work for long. Something has to change structurally — maybe higher densities, lower fees and smaller homes.”

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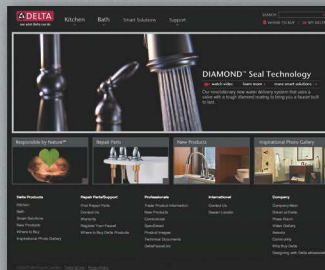
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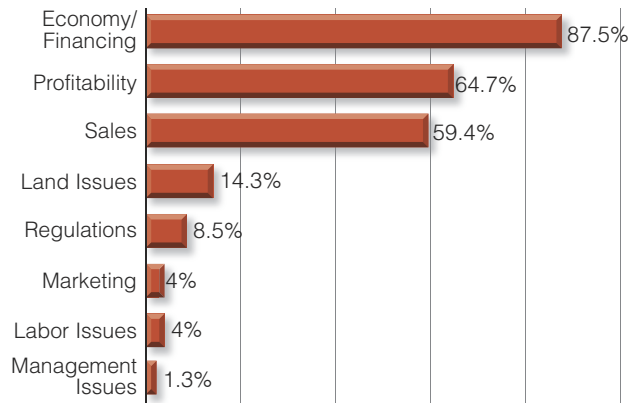
Challenges and Opportunities

In addition to asking builders to detail what kind of houses they build, how many they close and the revenues they book, PB also asks what worries them in the middle of the night and what excites them when they contemplate the future.

It should come as no surprise that lots of things are going bump in the night these days. The economy is the largest general concern, followed by more specific worries about finding room for a profit margin in still-declining home prices, and finding a sales strategy that works. Beyond those big three, all the other challenges seem trifling.

Obviously, land issues are still a concern for some of the large-

Giants Biggest Challenges in 2009



Source: *Professional Builder* 2009

est public builders, who are still taking impairments, but most private builders either got past those issues or left the business. But when we call builders looking for more detail on what concerns them, it's like opening Pandora's Box. It doesn't take long for politics to come up. "The restriction of the federal tax credit to first-time buyers makes no sense," says Toll Brothers Chairman Bob Toll. "The government should want to stimu-

Average Sale Price Drop Squeezes Profit Margins

The most vexing challenge builders face is falling home prices and what that does to their margins, especially if they can't reload fast with low-cost land, and much of the land that will eventually solve this problem has yet to hit the market. "I'm fresh out of free-and-clear land," says Atlanta builder John Wieland. "We're starting to see the Atlanta market come back a little. The trouble is, nobody wants to see a builder make any money at all. The buyers are out, but they're all playing 'Let's Make A Deal.'"

Our giants questionnaire asks builders to break down what their costs and margin contribute to the sale price of an average home. Over the last two years, eroding prices have steadily shrunk the profit margin as costs continue to creep up. The only real solution to this is lower-cost land.

Average Sales Prices

	2008	2007	Difference	% Change
Per Unit for PB Housing Giants	\$283,930	\$315,050	-\$31,120	-9.9%
All New Homes	\$291,800	\$313,600	-\$21,800	-7%

Source: U.S. Census Bureau

THE AVERAGE SALE PRICE OF A HOUSING UNIT produced in 2008 by this year's 350 Giants comes in at \$283,930, a decline of 9.9 percent from the average reported by last year's 400 giants. The decline is slightly larger than in data from the U.S. Census Bureau for all new homes built in 2008.

% of Average Home Sales Price

	2008	2007	% Change
Land/Entitlement/Financing Expenses			
Raw Land	9.97%	9.92%	0.50%
Land Improvement	4.15%	3.77%	10.08%
Improved Lot Costs	7.99%	7.46%	7.10%
Fees	2.09%	2.04%	2.45%
Financing Costs	3.41%	3.19%	6.90%
Hard Costs			
Materials	28.93%	27.57%	4.93%
Construction Labor	23.12%	22.97%	0.65%
Indirect Construction Costs	3.96%	3.58%	10.61%
Sales and Marketing Costs			
Advertising	1.45%	1.20%	20.83%
Marketing	1.50%	1.50%	0.00%
Model Merchandising	0.95%	0.85%	11.76%
Sales Commissions	3.25%	3.13%	3.83%
Overhead/Profit/Misc.			
Overhead Expenses	6.21%	5.56%	11.69%
Profit	1.22%	6.15%	-80.16%
Miscellaneous	1.80%	1.11%	62.16%
Total	100%	100%	

Source: *Professional Builder* 2008, 2009

COMPARING THE COST BREAKDOWN CHARTS for an average home sale, as reported the last two years, you can see that the biggest challenge most builders face is keeping their profit margin from being squeezed out of existence by home prices imposed by the market.



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late home buying wherever it can. That's why the California tax credit is working better than the federal one. To disadvantage one part of the market over another is silly."

A number of builders turn quickly to that subject. "It's all well and good to say the starter market is where the action is, but what good does that do us?" asks Atlanta builder John Wieland. "We've been building move-up houses for 40 years. How could we change? It's impossible." He's critical of changing banking rules. "It looks like one hand doesn't know what the other is doing, the way the recent reversal on market-to-market undercuts the new PPIP program for toxic assets."

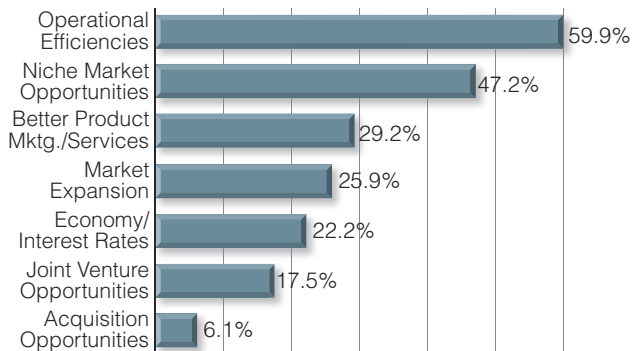
Kim Shelphman, CEO of Melbourne, Fla.-based Holiday Builders, is in the entry market, yet she echoes Bob Toll in her criticism of the federal government for not targeting new-home construction for stimulus: "We've always used housing stimulus to get out of recessions. What other choice is there?"

Housing always leads recovery, Toll says. "Housing is the fastest way to increase employment," he argues. "Housing employs more people faster, and it has a much greater multiplier effect. Nobody buys furnishings for a bridge!"

Many Builders Positioning for Breakout Opportunities

Builders free of debt with cash at hand are getting anxious


Giants' Greatest Opportunities in 2009



Source: *Professional Builder* 2009

to see more land assets hit the market from banks still holding them. "We're in a land-buying mode," says Tom Krobot, president of Roswell, Ga.-based Ashton Woods Homes, which climbed from No. 50 to No. 39 in this giants ranking, thanks in part to a big presence in Houston and Dallas markets that are performing better than Ashton Woods' other operations in Florida and Arizona. "But the lots have to pencil," he cautions.

"Right now, the lots that are worth 30 cents to 40 cents on the dollar, the banks want 60 cents. And the rules change every week," Krobot complains. "First there was TARP money, now it's PPIP. The banks won't sell the land until the rules stop changing." **PB**



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SHIRLEY
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Builders can't get a break – at least not in Shirley, Mass. As if slow new-home sales and down prices aren't enough, a 1985 bylaw may be enforced for the first time that requires home builders and Realtors there to pay \$25 for every "For Sale" sign they post. It's a proposed revenue generator for the town, which has a deficit of \$1.17 million. Opponents will have their say at a town meeting in May. This is one deal builders would prefer not be closed.



Photo: Getty Images

INSIDE

Social networking skills for builders
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Learn from secret shoppers [page 30]

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[SALES & MARKETING]

Social Networking Skills



Do you know how the right way to use social networking sites? Understand before you expand.

By John Rymer, New Home Knowledge

Twitter, Facebook, YouTube, LinkedIn. Many of us had never heard of these names a couple of years ago. Today, our president posts his speeches on social networking sites, and you're most likely trying to figure out if these sites can actually help you sell more homes.

So are they a waste of time and energy, or are they a serious marketing tool in which early adapters are cashing in? Like so many new technologies, the answer is in the execution.

Leighton Collis of Liquid Advertising has this opinion:

"At first blush, market-

prospects to broadcast their experiences and plans with your community, but it takes an entirely new way of marketing."

Begin by understanding that visitors to social sites are looking to learn, understand, provide feedback and connect, but not to be sold. Hard selling, price discounts and "limited offers" are turn-offs. Turn-ons focus on ways to get the visitor engaged in the discussion. A simple example would be to offer weekly prizes for the best picture posted by visitors to an individual community. Another successful contest involves visitors' rating models within a builder's offering and then awarding a

ffering URLs and keywords to your Web site, says Mitch Levinson of mRelevance. It also pays to have an effective blogging campaign.

Finally, it has been said that, "the Internet allows the big to look small and the small to look big." No truer words have been spoken when dealing with social media sites. With many sales professionals looking for productive ways to spend their downtime, well-executed video casts, blogs, updating content and responding to topic discussions provides meaningful ways to drive traffic and build rapport with potential buyers. **PB**

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

Understand that **visitors to social sites** are looking to learn, understand, provide feedback and connect, but **not to be sold**.

ers think that social media is just a new source of free leads — a way to replace expensive lead acquisition advertising. It's not, and if you treat it as such, your organization will get burned almost immediately. Social media is about the power of friends: your prospects' most trusted source of information. There are proven techniques for getting your

monthly winner who ranked models in the same aggregate order as the contest visitors. These unbiased comments are what drives traffic and delivers sales.

Also understand that social networking sites can assist in search rankings. One measure for tracking the effectiveness of blogging is the number of different re-

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Secret Shoppers Reveal All

What are your sales reps really doing to sell homes? And what are they neglecting? Expert secret shoppers have a lot to say.

By Felicia Oliver, Senior Editor

Secret shoppers see everything — at least their camera lenses do. They can tell you how well your sales reps are heeding the awesome sales training they've been getting from you — or how not-so-awesome that sales training really is. We asked three expert secret shoppers what builders most need to know about what secret shoppers find and how they can use this insight effectively.



1

SALES BASICS HAVE FALLEN BY THE WAYSIDE

IT'S OFTEN BEEN SAID THAT DURING THE BOOM TIME, new sales professionals succeeded without good sales skills. Homes were flying off the lots, so they didn't need them. But now even those who've been around and know how to sell are either forgetting what they've learned or are too discouraged to put it into practice.

"Sometimes these reports are a wake-up call for this type of agent," says Mary LeBlanc, president of LeBlanc & Associates, a new-home secret-shop company in Carlsbad, Calif. "Not that they never knew how to sell effectively, but between what you read in the newspaper, see on the TV and maybe going days without seeing anybody, over time it just starts to eat away at your psyche."



SALES REPS AREN'T ASKING FOR THE CLOSE

MELINDA BRODY, PRESIDENT OF MELINDA BRODY AND CO., another well-known secret-shop service for new home builders, says in 2008 just more than 13 percent of the sales folks she shopped asked the prospect if they wanted to go ahead and buy the home in which they were interested. In 2005, it was 19.6 percent. Brody finds this alarming, especially since the secret shoppers she uses represent so-called "A"

Regression of percentage of sales people asking for the close by year

2005	2006	2007	2008
19.6 percent	16.1 percent	16.1 percent	13.19 percent

Source: Melinda Brody and Co., according to results obtained from the secret shops the company has conducted.

buyers: those who are ready, willing and able to buy.

"They love the home," says Brody. "They've relocated. They have sold their home. They are in a rental. They are closeable prospects."

"To go from [19.6] percent to 13 percent tells me that the salespeople have just shut down. They've given up. They feel that no one is buying. They say, 'Even when I see a qualified prospect, I'm not going for it.'"

Poor sales training is also seen as the culprit. Both Brody and LeBlanc say video-shop close rates are much higher for clients who have formal sales training than those who do not.

2



3 SALES REPS DON'T KNOW HOW TO ASK FOR THE SALE

CLOSING IS MORE SUBTLE AND COMPLEX than simply asking a customer to buy this home now.

"You have to earn the right to ask for the sale," says LeBlanc.

She offers some pointers:

- Invest the time to gain your prospect's like and trust of you. Accomplishing this is almost half the battle.
- Use this time to discover who you buyer is. Are they married? Single? Do they have kids? How many? What about hobbies? Interests? Tailor your presentation to the buyer you're dealing with — their personality, sense of urgency and the like. One sales approach does not fit all.
- Engage them in a casual, conversational manner; don't question them spit-fire style!

SUCCESSFUL REPS HAVE MANAGERS WHO DEMAND ACCOUNTABILITY

SALES MANAGERS ARE MORE PROACTIVE in monitoring sales skills.

Using secrets shops is one way to do this, but managers are also implementing processes and tracking software to make sure sales staffs are selling and following up as they have been trained to do. We saw this with several Nationals Sales and Marketing Awards winning sales professionals.

4

5 GOOD SALES REPS DON'T LET PROSPECTS SET A 'GIMME SOMETHING' AGENDA

"A CUSTOMER COMES IN AND SAYS, 'What kind of deal do you have for me? What can I get?'" says Brody. "We've seen that on some of the video shops. A good salesperson deflects that."

She says one of her clients, Engle Homes, has trained its sales team on how to counter when faced with this kind of request. She paraphrases the gist of their response: Even if you don't have huge discounts and incentives to offer, the prospect is more likely to buy what you're selling once you've shown them a home they really want that's right for them.

They can say: "We have great opportunities here at Engle Homes, but before I get into any of our specials that would apply to you, tell me your situation. Where are you moving from? Let me learn a little bit more about you and then let me make a good fit."

7 LOW SALES PRODUCERS CAN SCORE WELL ON SECRET SHOPS, AND VICE VERSA

SOMETIMES A TOP SALES PRODUCER scores a big fat zero on the video shop.

Says Brody: "Then you have to ask yourself, 'Is it the community? The pricing? The location? Can anybody show up there and sell homes?'"

In this market, the opposite can also be true. You may have a sales pro who scores high on the video shop and is doing all the right things but has lousy numbers because no is coming in to see the models.

"What does that mean?" asks Kelly. "Maybe your prices are too high or you need to make adjustments to your product line. The first thing you can do with a shopping report is rule out your salesperson. It's very difficult to gauge the sales reps' aptitude and professionalism from sales right now. Shopping gives you that secondary tool to monitor performance."

YOU CAN USE FINANCING TO SELL HOMES

THIS CALLS FOR MORE than a good grasp of the numbers.

"The sales rep sits down and does a financing worksheet that pre-qualifies the prospect," says Kathy Kelly, president of Personnel Profiles, a new-home secret shop company in Boulder, Colo. "The lender rep is supposed to do this, but if the sales rep does and shows how that difference in financing can buy them that gourmet kitchen upgrade, now it's in terms of how that's going to benefit the buyer. It's beautiful when they do that!"

6

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8

MAKE YOUR SALES REPS FEEL AND ACT LIKE TIGER WOODS

LET'S BE HONEST: your salespeople aren't going to like being secret-shopped. "It's like 60 Minutes coming out to bust the unscrupulous jewelry guy in Times Square," says Brody.

But secret shops are most effective when you get buy-in from your people, which can be done. Tiger Woods videotapes all of his games and then sits down with his coach to watch them and get a critique. He does this to improve his game. Apply the same concept when you talk to your sales staff.

"Tell them, 'We believe in you. We want to help you,'" says Brody. "You are so lucky, because our company is going to pay for a professional video-shopping service to tape game film of your selling process so we have something to coach you with."

"If you approach it with a game-film mentality," says Brody, "then the whole fear of secret shopping or mystery shopping will almost totally dissipate."

WATCHING THE SHOP TAPE: THIRD TIME'S THE CHARM

OUR EXPERTS ADVISE SALES REPS

to watch their video-shop tape at least three times. The first time around, they will inevitably be focused on how they look: 'Am I that fat?' 'I think I look old!' and the like. The second time that sort of preoccupation might still be linger, but sales reps will start to tune in and critique their presentation.

"The third time, you get over how you look and actually listen to what you say and don't say," says Brody. The focus for the sales rep is critiquing their presentation. The sales manager as well as Brody's team will provide a written critique of the shop tape to the salesperson as well.

9

SECRETS SHOPS CAN BE DONE ON THE CHEAP

BUDGET A LITTLE TIGHT RIGHT NOW? "Pick a good shopping service," says Kelly. "Ask them to shop all your people throughout the course of the year. Then publicize the heck out of the fact that you are shopping. And do [the shops] randomly. You will get more bang for your buck, because everybody is going to be on their toes waiting for that shopper to walk in the door."

Brody says quarterly shops are ideal but if you have to do fewer shops, it's better than none. And you don't always have to tape them. Receiving written reports from the secret shopper can be helpful. If you have absolutely no money, Brody suggests making arrangements with another builder in your area to shop each other's people.

10

RESULTS FROM SECRET SHOPS OFTEN REFLECT THE QUALITY OF YOUR SALES TRAINING

THE KEY TO HIGH SCORES ON SECRETS SHOPS — and more importantly, good sales results from your sales staff — is to focus like a laser beam on training. Secret shops reveal the quality of your sales team and the quality of your sales coaching.

"The shopping is really a field test of your training department, so if your people shop badly, that's a reflection on management. If I come to work for you, tell me what I'm supposed to do, help me do it, and then test me," Brody says.

11

12

SECRET SHOPS SHOULD BE USED AS AN IMPETUS FOR IMPROVEMENT

THE PRIMARY PURPOSE of a secret shop shouldn't necessarily be to fire anyone. You can use it to demonstrate a standard of accountability on which you are going to insist. You can identify areas of weakness on which a sales rep needs to work. You can provide specific coaching on those issues and check for improvement with subsequent shops.

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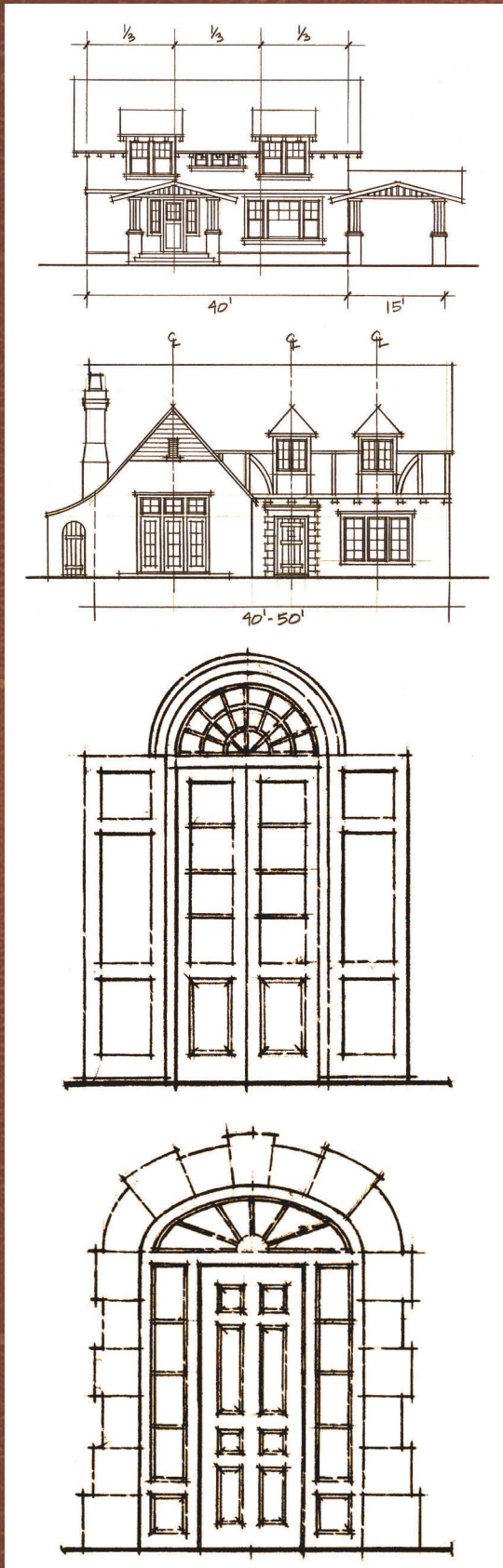
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Illustrations: Iverson Architects

BY THE BOOK

An architectural pattern book defines the design parameters for a master-planned community, providing standards for builders on style, details, proportion, scale and other elements. Such guidelines ensure that homes and neighborhoods are consistent with the vision of the master plan. In the case of Villebois (Best Address, page 44), the pattern book is also a prescription for sales success.

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INSIDE

Stylish staging for less [page 38]

Oregon community shows its smarts
[page 44]

High-Style Staging on a Budget

Home staging is about creating a mood in the home. But how do you create that lived-in look with a small budget? We ask the experts for help.

By Nick Bajzek, Products Editor

It pays to have a home staged properly. Those small touches of plants, mirrors, pillows and afghans give your homes the homey feel that sells. Home staging is about packaging a home to show off its best features and downplay the flaws.

According to research by Staged-Homes.com, a staged home will sell an average 17 percent higher and 13 percent faster than an un-staged home. In a bare room, buyers look at the flaws in-



HERE YOU SEE how strategically placed and repurposed products have brought a dramatic and modern look to an otherwise sparse area. "We are also seeing more use of 're-purposed' or move-over furnishings as a cost-cutting measure," says Debra Bernard.

DON'T BE AFRAID to choose a slightly offbeat color when you're painting. Nancy Hall says, "Paint is nearly always the least expensive and most impactful design solution." Note the extra step of including prop food, which makes people feel comfortable (and thirsty).



WHAT KITCHEN APPLIANCES to include? Is stainless steel still 'in'? Real tile or linoleum? Also, consider using artificial plants for decorative effect — after all, you won't need to water the plastic plants every other day.

NOTICE THE LACK OF A WINDOW TREATMENT and the understated room accessories. Often you can get away with skimping quite a bit in tertiary rooms such as these.



ROOM ADDITIONS are a natural setting for you to decorate with hobbyist, outdoorsy motifs and vacation-related photos. And if you're not a big fan of the quirky fish on the wall, it's a heck of a lot better than a singing trout.





NOW THAT'S a lot of green! Continuity in the color scheme can help you cheat a bit. "For some reason, sage won't go away. It's back," Debra Bernard says.

stead of looking at the flow of one room to another. Is the dry-wall smooth? Will those bumps in the carpet from last week's sale come out? Why doesn't that molding fit perfectly? Why is the light switch in the middle of the wall?

Christy Scanlon, COO of Masterpiece Interiors in Winter Park, Fla., acknowledges the troubles of home builders' finances but insists staging — even on the tightest of budgets — is crucial. "We have definitely been challenged in the current market. It has caused us to develop more creative and ingenious alternatives that help our builder clients sell more homes without sacrificing our design and merchandising standards or their budgets," says Scanlon.

"When budgets are tight, the first thing that needs to be

tossed out is the idea that there is one and only one 'best solution' to a design challenge. High-value, cost-effective design solutions are available everywhere," insists Nancy Hall, vice president of business development for Pacific Dimensions in El Segundo, Calif. Examples include using less expensive furniture to form the basis of the room while adding interesting, higher-priced items as accent pieces. She notes that cotton print fabrics provide both impact and interest without the added cost of European textiles. Color is important in bringing a wow factor; paint is one of the least expensive and most effective design solutions, she says.

Hall recalls that before the downturn, design focused heavily on an upward quest for luxury with elaborate built-ins;

WHY MERCHANDISE A MODEL HOME?

MODEL HOME MERCHANTISER MARY DEWALT SAYS that builders can't afford to not merchandise their models. Merchandising is properly packaging the product specifically for your target audience. The typical customer will look at 50 homes during their shopping cycle and will make a determination within 6 seconds if they like a particular home or not. Proper merchandising will help your model home:

- Compete with other builders, even larger ones
- Act as a 'silent salesperson'
- Sell faster
- Increase perceived value of you, the builder and your product
- Demonstrate how the home will live
- Draw ties to the community
- Increase absorption rate
- Keep buyers in the model longer, increasing the sales rate
- Add a 'memorable' factor — makes your homes stand out
- Ensure current trends are included in the design

WHY IT'S BAD TO LEAVE HOMES EMPTY

DEBRA GOULD, AKA THE STAGING DIVA, is president of Six Elements and offers these reasons to avoid empty models:

- People don't buy houses, they buy homes.
- It is difficult to understand how large a room is when there's nothing in it as a reference point.
- People can't visualize how furniture will fit in an empty space, and if they're unsure, they don't buy.
- When a room is empty prospective buyers focus on negative details instead of falling in love with the overall space.
- When a house or even a few rooms are empty prospective buyers can get distracted from paying attention to the house and shift their focus to other details.

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multi-layered bedding and draperies; and an emphasis on high-end upgrades. “Design is moving away from excess and anything that shouts ‘Look at me!’ to a new form of design expression,” says Hall, adding, “People still want comfort and luxury in their homes, but it needs to be subtle, understated and relevant.”

First to Go

So where should builders focus? And what ideas should they avoid? The first home accent to go might vary but the principles are the same.

“We generally start with the flooring as this is one of the largest areas of expense,” says Patti Guthrie, vice president model merchandising for Marc-Michaels, also in Winter Park, Fla. “There are some incredible porcelain tiles out right now that look great when down. We can replace costly stone with tile and still have a beautiful look,” she says. Additionally the firm will look at value engineering the millwork package. Using applied moldings in the main areas and cutting back on this in the secondary rooms can save builders a lot.

Debra Bernard, president of The Bernard Partnership in Walnut Creek, Calif., first tosses plants. “In terms of merchandising, we start off with plants. Live plants have to be maintained, so they go first. Usually they’ll put in silks or none at all.” Next on the list is expensive furniture and built-ins, which can be costly. “You have to think of all this at a cost-per-square-foot basis,” she says, adding, “A lot of builders are kicking around numbers like, ‘I want to be at 20 bucks a foot,’ which is very skimpy. That’s fine, of course, if you’re going for a minimalist, Ikea-inspired look that resonates well with many demographics.”

What Works

The minimalist look works on several different levels. “The colors aren’t as trendy. People aren’t trying the real new things. Taupe, beige, a lot of browns and off-whites are in. I’d call it basic colors. For some reason sage won’t go away. It’s back,” Bernard says.

You can’t afford to not target any age group when you decorate, says Bernard. “It’s tricky. It has to work for my 25-year-old niece and for my sister. Do you decorate for people that are 25 or 55? It depends on your target. People in general are simplifying their life, whether it’s due to the economy or life stage.” Guthrie says the Santa Barbara look, with its open spaces and minimal millwork and background elements, has

HOW TO FIND THE RIGHT MERCHANDISER

HOW DOES A BUILDER FIND A MODEL HOME MERCHANDISER?

The best way is through the NAHB Sales & Marketing Council. It can help you find merchandisers to compare. Then, when you narrow it down to two or three, ask them each to give you a presentation.

DON'T BE AFRAID OF TECHNOLOGY

SHAWN SMITH, PRESIDENT OF S&S ELECTRIC IN OLDMAR, FLA., believes staging homes with home technology products helps builders set themselves apart from the competition and appeal more directly to A/V-orientated consumers. “By offering unique technology options, we are also playing up to the lifestyle needs and demands of today’s tech-savvy buyer. To continue merchandising as we have done in the past isn’t practical or profitable and frankly fails to recognize the needs of today’s technologically minded buyer.”

gone over well with her customers. Scanlon also sees an advantage to this sort of universal decorating. “An oversized contemporary vase on a cocktail table is a great look and is very acceptable versus a more traditional style that may require a couple of obelisks, a floral and a stack of cocktail-table books,” she says.

Vignettes to the Rescue

So, the budgets are tight and buyers are spotty. How often have merchandisers and designers been “refreshing” model homes lately? Guthrie says her production builders have asked the firm to refresh their models about every 10-12 months. “Maybe the builder thought he had empty-nester buyers when he actually had young professionals. Merchandising to the different buyer helps the subconscious process to make the buying decision as they walk through,” she says, adding that her firm has done more specifying work than the lower-cost vignettes that have been popular with cash-strapped builders.

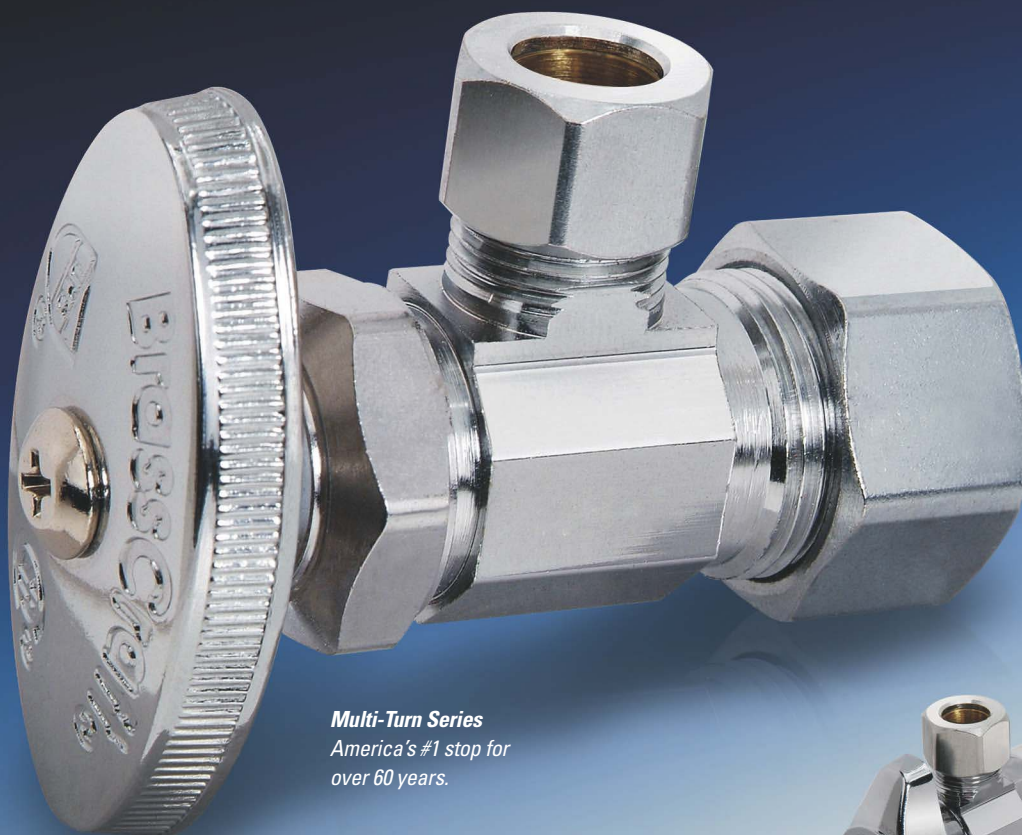
Bernard says some builders were asking her to make vignettes of some houses. “Do we do as much as a decorator? No. We know enough to be dangerous. We don’t profess to be interior designers, but we have a darn good idea what looks good.” Hall and Guthrie agree that vignettes, while better than nothing, aren’t always the most effective tactic worried builders should take because vignettes don’t always answer all the budget questions. In this marketplace, builders may ultimately decide to furnish fewer models, rather than vignette some and furnish others.

“We are also seeing more use of ‘re-purposed’ or move-over furnishings as a cost-cutting measure for builders in their merchandising program,” says Bernard, “This can be a

good solution when strong color is introduced to give re-purposed models a fresh look.

No matter the home-buying demographic, the interior designer and builder need to work as a team to ensure that all aspects of the merchandising program appeal to their marketplace. The job of the merchandiser is to understand who the buyers are and inspire — not overwhelm — them. This is especially important today in the demonstration of options and upgrades within the models. “First-time buyers want to know what is included and understand how their home will look,” says Hall. “Designers shouldn’t depend on upgrades to carry the day. Even a ‘standard’ home can look great with the right approach to design.” **PB**

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VISIONARY

Portland, Ore., developer Costa Pacific Communities delivers an impressive follow-up to its hugely successful Orenco Station community.

By Susan Bady, Senior Editor, Design



- | | | | |
|-------------------------------|------------|---------------------------|------------|
| ● Inza R. Wood Middle School | 0.63 miles | ● City Hall | 2.24 miles |
| ● Boones Ferry Primary School | 0.76 miles | ● Wilsonville High School | 2.86 miles |
| ● Commuter Rail Station | 0.77 miles | ● Target | 4.31 miles |
| ● Albertsons | 1.66 miles | ● MetLife Home Loans | 4.36 miles |
| ● Police Station | 2.16 miles | ● Costco | 4.39 miles |

VILLAGE

TO STAY CONSISTENT, Iverson Architects developed a pattern book for Villebois that includes the four single-family elevation styles appropriate for Villebois: French Revival, English Revival, American Classic and American Modern. About the land plan (above), Lee Iverson says, "It's not about lot lines and curb cuts; it's about what people can see and do within the community."

PHOTO: ANDY GREEN,
COSTA PACIFIC HOMES

Rudy Kadlub isn't one to rest on his laurels. Despite the success of Orenco Station, a transit-oriented community that took Portland, Ore., by storm in the late 1990s, the builder/developer is always trying to top himself. Judging from the response to his latest project, Villebois, he's managed to take it to the next level.

"Villebois," Kadlub says wryly, "is Orenco Station on steroids."

Located in Wilsonville, Ore., just outside Portland's Urban Growth Boundary, Villebois mixes various housing types around a town center with retail and office space. Interconnected, public open spaces such as parks and nature preserves, along with trails and bike paths, knit the community together. Less than a mile away is a new commuter rail station that connects residents to a light rail system that runs to the suburbs of Tigard, Tualatin and Beaverton as well as downtown Portland and the airport.

Kadlub, the CEO of Portland-based Costa Pacific Communities, has long been a champion of smart growth and sustainability. His definition of "sustainable" encompasses social and economic factors as well as green building.

"We looked for ways to design in opportunities for social interaction, making open spaces easily accessible to everyone who lives in the community," he says. "All parks are fronted with single-loaded streets; there are no houses backing up to open spaces in Villebois. It gives people more opportunities to interface with one another."

The French connection

Villebois occupies 500 acres that was once the site of a state mental health facility, shuttered in the 1990s. Wilsonville planners favored a compact urban development that would correct the city's imbalance of jobs and housing.



VARIABLE-HEIGHT KITCHEN COUNTERTOPS improve accessibility in the Cooking Light FitHouse.
PHOTO: TRIA GIOVAN

"There are 15,000 jobs in Wilsonville, and the entire population is 15,000," Kadlub says. "About one-third of the population is in the workforce, contributing to air pollution and traffic congestion. So Villebois was part of the answer."

Kadlub envisioned a European village: a very compact and walkable community with narrow streets, ground-level retail with housing above it and a lively town center. The community



MANY SPACES do double duty at Villebois, such as this basketball court. After a heavy rainfall, it becomes a retention pond.

Photo: Andy Green, Costa Pacific Homes

LET IT RAIN

ESTABLISHING AN EFFECTIVE RAINWATER MANAGEMENT SYSTEM for Villebois was a major goal for developer Costa Pacific Communities from the very beginning. When the state hospital formerly on the site was built, rainwater that had been directed into three different drainage systems was piped to a single source: a creek that, over the course of 50 years, was becoming seriously eroded and undermining old-growth timber.

"We took on the challenge of saving that stream and reconstituting wetlands that had dried up over time by transferring rainwater back to the original drainages," says Costa Pacific Communities CEO Rudy Kadlub. "It was a very complex engineering task. We actually got the Army Corps of Engineers to help with that analysis and do some of the work."

Instead of following a conventional north-south grid pattern, the streets of Villebois are more organic. Each intersection acts like a dam, slowing rainwater down as it moves across the surface and giving it more time to perc into the soil, Kadlub notes. The rainwater management plan also incorporates permeable pavers and asphalt, retention ponds, rooftop gardens and state-of-the-art bio-retention cells in community planter beds.



name was influenced by the French Prairie, a region south of Wilsonville whose early settlers were French trappers. There are also several towns in France named Villebois which, loosely translated, means “village near the woods.” It was a good fit, he says, because Wilsonville holds a Tree City USA designation.

Iverson Architects of Newport Beach, Calif., designed a land plan that saved 90 percent of the specimen trees on the site. Ten acres of upland forest is being preserved in its natural state, and several other stands of trees were incorporated into parks. Iverson also redesigned the roadways to better integrate with the site’s hilly topography and take advantage of views (one road is aligned with a view of Mount Hood).

City planners initially recommended 200,000 square feet of retail space, but Costa Pacific concurred with the research conducted by Market Perspectives of Roseville, Calif., indicating that 30,000 to 35,000 square feet was more appropriate. “It’s just enough to be supported by the number of people that will be living there,” Kadlub says.

“When you’re trying to do an urban village in a suburban environment, it’s important to create a heartbeat for the community to attract potential attached-home buyers,” says John Schleimer, founder and president of Market Perspectives. “We gave Rudy development strategies and he decided — rightly so — to get the momentum going with detached product.”

Housing diversity = buyer diversity

Costa Pacific, Arbor Custom Homes of Beaverton, Ore., and Legend Homes Corp. of Tualatin, Ore., are building for-sale

www.ProBuilder.com

VIVE LA FRANCE!

THE STATE OF OREGON and the city of Wilsonville conducted a nation-wide search to find a developer for the site that eventually became Villebois. By the time the selection committee was ready for oral presentations from the final four candidates, Costa Pacific Communities had chosen a name for the community. Costa Pacific CEO Rudy Kadlub, who’s “always thinking about marketing,” decided to go a little further with his team’s presentation.

“We had the committee members leave the room, then brought in French-press coffee and chocolate croissants and started playing French café music,” Kadlub says.

The Costa Pacific team then played a video narrated by a woman with a French accent. “We imagined it to be 20 years into the future and talked about the community and how it works with the shops at street level and the homes



COSTA PACIFIC’S French-accented presentation bowled over city planners.

Photo: Getty Images

above and residents interacting with one another. When we were done, the jury stood up and applauded. I think from that point forward, we were going to win.”

Charlotte Lehan, Clackamas County Commissioner and former mayor of Wilsonville, says the committee’s decision “had a lot to do with Rudy himself. He’s personally committed to the principles of smart growth and sustainability and is such a strong advocate, it gave us confidence that he was really on board.”

housing (mostly detached) at Villebois. Arbor, the first to start building there, has sold 264 homes to date and plans to build approximately 800. Despite market conditions, Arbor’s sales agents at Villebois have already exceeded their goals for January and February, says Megan Talalemotu, sales and marketing director for the company. “Their goal was 43 sales and they sold 49,” says Talalemotu.

Legend has sold 16 homes to date and will eventually build 650.

Costa Pacific kept 48 acres in the center of the property near the shops, restaurants, specialty grocer, weekly farmer’s market, seasonal festivals and other activities. The company just released the first of approximately 650 homes. Currently under construction are Seville Rows — rowhouses ranging

ONLINE AT PROBUILDER.COM

Visit ProBuilder.com to watch videos about life in Villebois and hear Rudy Kadlub talk about the community.

ARBOR MODEL REALLY COOKS

IN CONJUNCTION WITH COOKING LIGHT MAGAZINE, Arbor Custom Homes of Beaverton, Ore., designed and built the 2008 Cooking Light FitHouse at Villebois. "It's the first time the magazine has worked with a production builder on this concept house," says Brad Hosmar, product development director for Arbor.

Arbor's in-house design team created the plan for the 3,798-square-foot FitHouse, which sports a classic American elevation with Pacific Northwest accents. Universal design is the theme. Features include a main-floor master suite (not the norm for Portland, Hosmar says); a first-floor junior suite with an ADA-accessible bath; ramped entries; wider hallways and doorways; lever-handle faucets; and hardwood flooring. The entire first floor is barrier-free.

Like most of the detached homes at Villebois, the FitHouse has a rear-loaded garage. It makes the most of a 5,000-square-foot lot by incorporating a front porch and a side courtyard off the great room. A home office, studio/bonus room, secondary bedroom and loft are upstairs.



from 2,005 to 2,500 square feet and priced from \$450,000 to \$590,000 — and Carvalho Condominiums, flats and townhomes that range from 1,291 to 2,102 square feet and are priced \$319,900 to \$449,900. Future construction by Costa Pacific will include condominium flats priced from the mid-\$100,000s.

Trammell Crow Residential has built 274 rental apartments in the Village Center. The apartment buildings are scattered on multiple lots with for-sale housing in between. Andy Green, sales and marketing manager for Costa Pacific, says the apartments are 96 percent occupied. The buyer mix includes young professional couples, empty nesters, small families and single professionals.

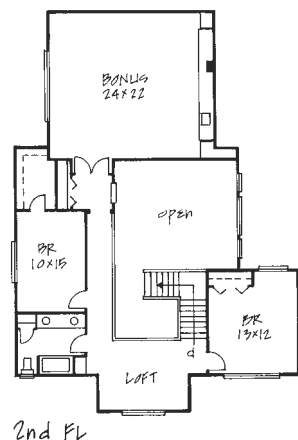
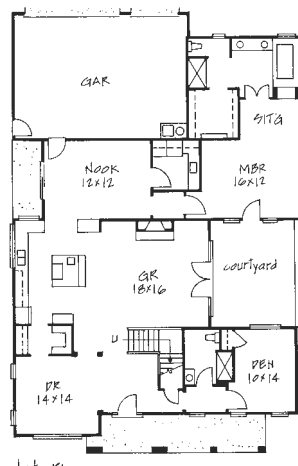
As part of Costa Pacific's purchase agreement with the state, eight acres have been set aside for community housing for individuals with disabilities. These residences will be in approximately 23 different locations around Villebois and designed to blend into the community.

The diversity of product ensures that Villebois will work from an economic standpoint, says Kadlub. Iverson developed an architectural pattern book that includes French Revival, English Revival, American Classic and American Modern styles. Arbor Custom Homes and Legend Homes supplied their own floor plans, and architect Lee Iverson redesigned the elevations to meet the community architectural standards.

"We gave the builders guidelines on proportions, materials, rules of adjacency, color palettes and so on," says Iverson. "We didn't tell them exactly what to do, but we focused them in the right direction." Any resistance the builders had to following the pattern book evaporated once they saw how well their designs were selling.

When completed, Villebois will consist of 2,600 homes and approximately 7,000 residents. Meanwhile, Kadlub keeps aiming higher. Says Charlotte Lehan, Clackamas County Commissioner and former Mayor of Wilsonville, "Rudy isn't satisfied that he's got the perfect thing worked out and is going to reproduce it. He's always pushing to get a better product." **PB**

Professional Builder / May 2009



THE COOKING LIGHT FIT HOUSE incorporates universal design principles as well as green building techniques.

Photo: Tria Giovan

PROJECT PROFILE

Community: Villebois

Location: Wilsonville, Ore.

Project Type: Mixed-use, New Urbanist, transit-oriented

Housing Types: Single-family detached, townhomes, row homes, condominiums, rental apartments

Buyer Profile: First-time buyers, move-ups, empty nesters

Master Planner/Developer:

Costa Pacific Communities, Portland, Ore.

Land Planner/Architect:

Iverson Architects, Newport Beach, Calif.

Builders: Costa Pacific Homes, Portland, Ore.; Arbor Custom Homes, Beaverton, Ore.; Legend Homes Corp., Tualatin, Ore.; Trammell Crow Residential, Portland, Ore.

Scope: 2,600 units on 500 acres

Number of homes sold to date: 265

Model Featured Here:

Cooking Light FitHouse; 3,798 square feet; \$779,900; designed and built by Arbor Custom Homes; interior design by Intersect Design, Portland, Ore.; opened May 2008

PRODUCTS USED

Appliances: KitchenAid

Built-in cabinetry/benches/

shelves: Pacific Crest Cabinets

Countertops: Staron Quartz

Door hardware: Kwikset

Entry door: Therma-Tru

HVAC: Trane

Kitchen and bath fixtures:

Elkay, Felicity, Garamond, Kohler, Ladena, Moen, Rothbury, Twirl

Laundry appliances: Whirlpool

Lighting fixtures: Globe Lighting

Paint: Sherwin-Williams

Radiant floor heating: Uponor

Windows and interior doors:

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Wood flooring: Armstrong

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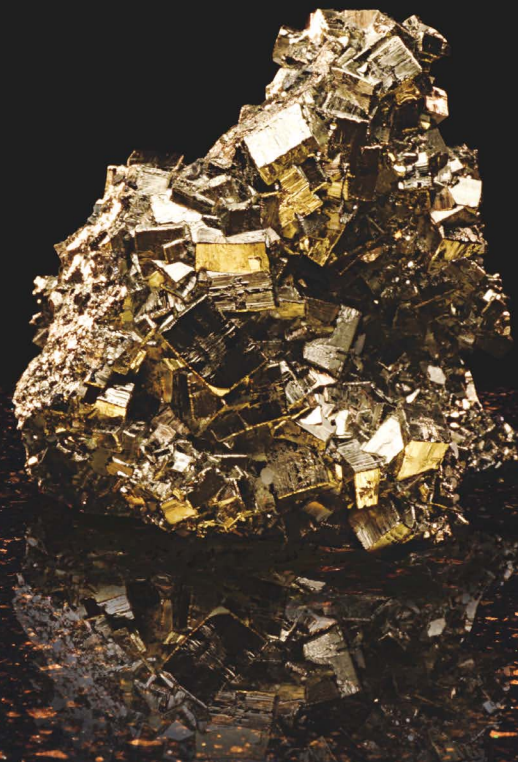
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A brazen marketing ploy or brilliant strategic move? Appliance manufacturer Gaggenau recently decided to stop its product lines from being sold on the Internet. Zach Elkin, the company's director of builder, contractors and designers group, says, "At in-store locations, consumers benefit from individualized attention and the wealth of knowledge each trade partner has about (our) products."

SERVING UP A DIFFERENCE

After all, there's nothing like seeing the products up close and personal.

Photo: Gaggenau



INSIDE

Add shelter with new roofing and siding products [page 53]

Insulation: wrapped up and warm all over [page 54]

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Tru World Beauty

Slate is popular as a roofing material, but it can get pricey quickly. GAF-Elk has a cure in its TruSlate roofing. The shingles are an easy-to-install luxury roofing solution that both looks and performs great. Best of all it's lighter, so it takes less effort to haul up the ladder and less structural support on the roof. TruSlate will be offered in five colors in the 12- by 12-inch size. **For FREE information, visit <http://pb.hotims.com/23722-251>**



Sunny Disposition

Boost curb appeal and green points with CertainTeed's new Landmark Solaris shingles. The roofing material features granules that reflect solar energy and radiate heat far better than traditional asphalt roofing material. During the summer months, Landmark Solaris can reduce the temperature of a roof, thereby reducing energy use and utility bills while maintaining the aesthetics of traditional shingles. **For FREE information, visit <http://pb.hotims.com/23722-252>**



Bamboo That's Bound to Impress

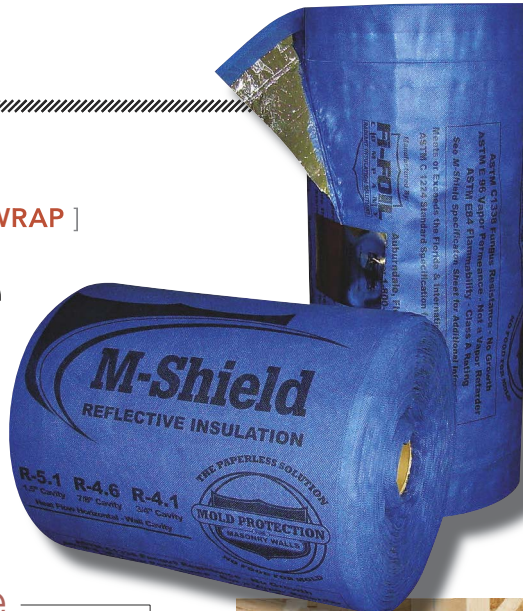
Chase a modern look and do it all while greening up your operations with KlipTech's EcoClad. EcoClad siding comprises a patent-pending, 50/50 blend of Forest Stewardship Council-certified, post-consumer recycled paper and wood fiber, as well as bamboo fiber. It's also bound by a 100 percent water-based co-polymer resin and is VOC- and benzene-free. It can contribute to seven different LEED credits. **For FREE information, visit <http://pb.hotims.com/23722-253>**

Lighter Loads

Bellaforté roofing tiles use a third less material than traditional synthetic and natural slate shingles, saving resources — say, your roofers' backs — and reducing tile weight. The tiles create an interlocking and overlapping pattern to repel the elements. It is available in a 12-inch profile **For FREE information, visit <http://pb.hotims.com/23722-254>**

[INSULATION & HOUSEWRAP]

Seal the Deal

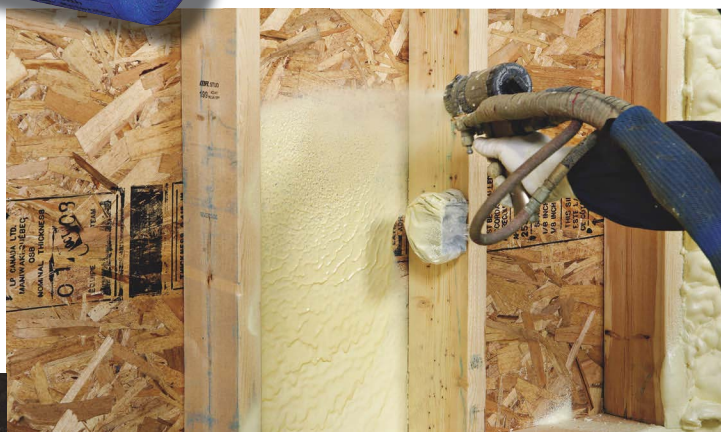


Shiny Barriers

You have to starve mold of its food source before you can even begin to get rid of it. Fi-Foil had this in mind with the M-Shield Reflective Insulation for masonry walls. The perforated, breathable design and paperless construction mean your homeowners have little to fear from those pesky microbes. The insulation has a Class-A flammability rating and meets or exceeds the IBC. **For FREE information, visit** <http://pb.hotims.com/23722-255>

Stuck Like White on Rice

Eliminating dispensing guns, hoses and connections that can loosen and create a hassle on the job site, Todol Duo-Fill 400 Two-Part Urethane Foam Sealant adheres well to most construction materials and offers multiple starts and closures. Seal it up and get out. It provides a chemical cure in one minute that is unaffected by weather. This labor-saving, 13 oz., two-part can-inside-a-can dynamically expands to 3.5 gals of foam sealant. **For FREE information, visit** <http://pb.hotims.com/23722-256>



Seal Up LEED Points

You've heard of their spray foam, and here's the next generation. Icynene's LD-R-50 is a renewable-based foam insulation and air barrier material that is responsibly made using castor oil and offers numerous environmental benefits. A big plus is that castor oil has been used in place of a portion of the petroleum-based polyol. Three cheers for green attributes! **For FREE information, visit** <http://pb.hotims.com/23722-257>



A Handy Little Friend

Designed specifically to stop air infiltration and enhance traditional insulation, Fomo Products' Handi-Foam is indeed handy as it coats and covers seams and small holes in the perimeter of stud cavities, over OSB and other potential infiltration areas. It cures and is completely tack-free within 30 to 45 seconds. That's fast! **For FREE information, visit** <http://pb.hotims.com/23722-258>



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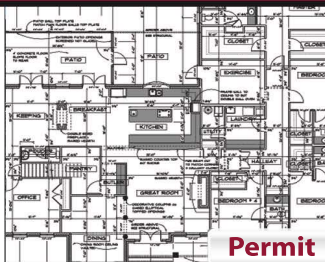
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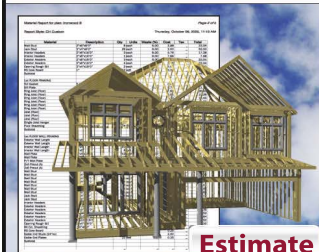
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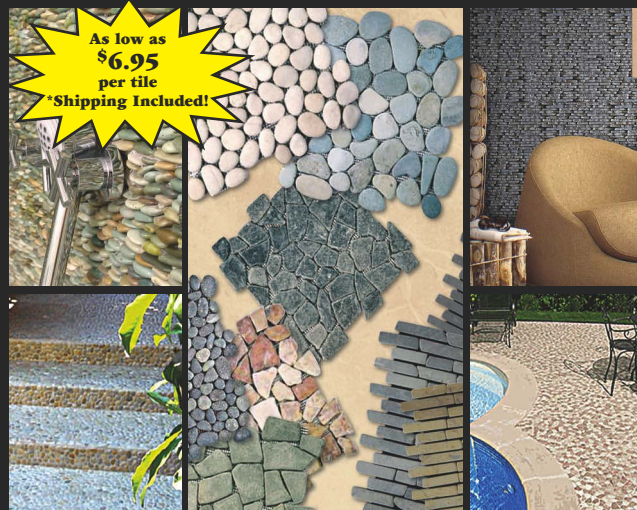
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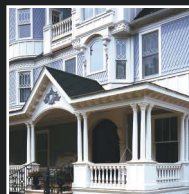
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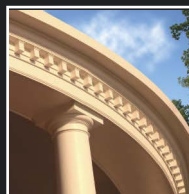
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Think about it

10 towns



BusinessWeek found 10 wealthy towns that seemed to be mostly immune from the economic turmoil. At the top of the list is Brookville, N.Y., and rounding off the list is a tie between Chevy Chase Village, Md., and Los Altos Hills, Calif.

10 cities

Forbes created a list of the Top 10 cities whose population has fallen the most of any large city in the country. Three towns in Ohio were named: Youngstown, Cleveland and Dayton.

448 lawsuits In the **15 months up to March 2008**, 448 lawsuits have been filed related to the subprime crisis, Reuters reports.

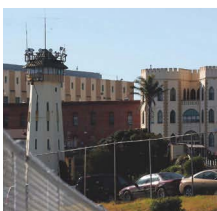
200 employees Technical Olympic USA plans to lay off 200 of its employees, **reducing the staff to 500**. Plans for the reorganization changed as the **company decided to sell off** its remaining spec homes and land holdings, according to the South Florida Business Journal.

25% adults Almost 25 percent of adults say they plan to **purchase a home in the next five years**, results from a survey done by Realtor.com show. **Yes, positive energy! Feed on it.**

1 million gallons Ryland Homes is being criticized by **Florida cities under a water shortage** for the home building company's using 1 million gallons of water. Violating water restrictions in 2008 cost the developers **about \$6,500 in citations per home**, reports The Associated Press.



62.5% Americans According to a survey commissioned by Move, results show that 62.5 percent of Americans think of their homes primarily as a **place to live rather than as an investment**. Sales staffs, take note.



\$2 billion value San Quentin State Prison is sitting on oceanfront property worth an estimated \$2 billion. **Supporters are pushing the state to move the inmates** and build a waterfront village with luxury condos and high-end, **single-family homes in its place**.

27% In 2007, demand for wine refrigerators and wine storage was at **49 percent**. In 2008, it declined to 27 percent. And the recent **AIA Home Design Trends Survey** shows demand for upscale products and features in kitchens continues to decline.




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