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august

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The home building products supply chain's efficiency has decreased over the years, while other industries' have flourished. Builders are part of the problem, but they might be part of the solution as well, Editorial Director Paul Deffenbaugh discovers.

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We don't often get to toss out statistics in the trillions, but we do this month!

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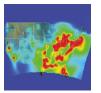
INSULATION



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perspective

The Cost of Value

Whether you are going green or value engineering, a continuous improvement process is essential to success.

he buzz among builders these days is value engineering. They're evaluating their product to make homes work for today's cost-conscious buyers. A big element of that is taking out the bells and whistles they'd added during the boom times. For some reason, this impulse has garnered the name "value engineering."

Back in the early 1990s, when the same term last made the circle, it meant identifying ways to improve construction and design so that the value of the product increased relative to the investment. The improvements ranged from revised floor plans to reduced cycle times. These days, I'm concerned that those hard, smart decisions are falling to the wayside in favor of easy decisions, such as installing laminate countertops instead of granite. Value engineering has become superficial.

The green and performance-housing movements give me pause, however. Builders have been attracted to the these trends, and one of the upshots is that it forces them to make the hard, smart decisions about structures, insulation, windows and HVAC. You can't go green and make decisions based solely on cost. It truly is value engineering.

Does this sound like I'm wavering? Probably, but as an old friend of mine said, "Home builders follow the latest fad." It has been green, now it's performance housing and in the future it's value engineering. In a scorched-earth market, home builders are trying to gain any edge on survival by attracting the few potential buyers who are out there. That edge requires delivering product that works and is popular. Unfortunately, American consumers are fickle, and the time it takes to redesign a house and get it constructed can surpass consumers' attention spans.

For the entrepreneurial home builder, this causes deep heartache. There is a solution, though. It's called continuous improvement, and it is a hallmark of the total quality management. I think there are people out there who may shudder at the idea that *Professional Builder* is still ardently backing this management principle. Let me reassert that we do so

Professional Builder still backs TQM for a reason: **it works.**

because it works, and we ardently believe that if more builders used TQM, they would be in much better shape than they are now.

If you are considering going green or value engineering and

want swift change that can be implemented, then the overlay of a defined continuous improvement process — in which the goals are clearly defined within the context of the company mission — is far more likely to lead to success. That's a mouthful, but the bottom line is this: in times of stress and change, defined operational processes will help you succeed.

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

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Supply Chain Connections

There are gaps between builders and manufacturers' relationships and processes. Industry expert Glenn Singer tries to make it right with his blog, Supply Chain Connections. Check it often for valuable insight.

Chinese Drywall Roundup

The wheels are slowly turning on the Chinese Drywall controversy. Be sure to visit our landing page, www.HousingZone. com/chinesedrywall, for the latest information.

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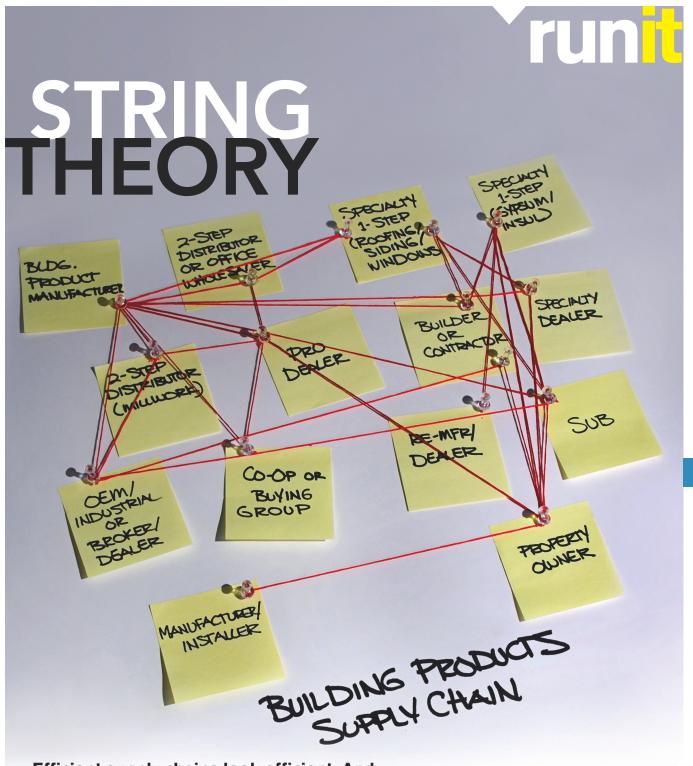
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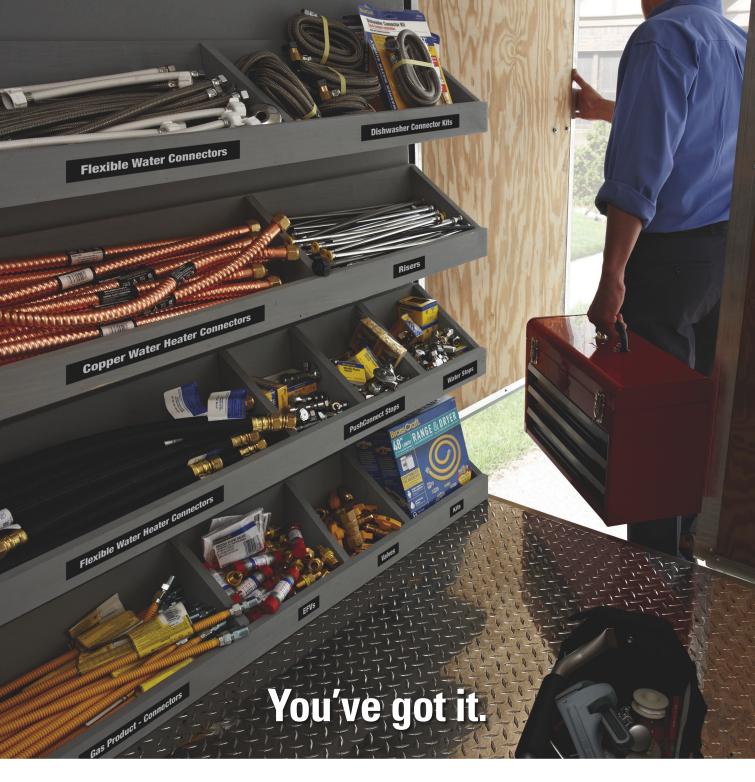
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Efficient supply chains look efficient. And then there's the map of the building products distribution channel: one-step, two-step, direct-to-market channels, as well as a variety of players such as buying groups, subcontractors and specialty dealers. All the players try to add value, but efficiency's lost. We dive in on page 12.

Photo illustration based on chart created by Principia Partners, Exton, Pa.





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WATER CONNECTORS



[CUSTOMER SATISFACTION]

Increase Word-of-Mouth Sales



How to turn customer satisfaction into big sales

By Paul Cardis, Avid Ratings

ith the housing market still sputtering, home builders need to hustle just to stay even with last year's sales. Though it may sound too good to be true, referral prospects outperform non-referred prospects 2:1. By increasing your referral traffic you will increase sales. However, to get these results, you and your staff must place serious effort on tracking referrals, screening potential customers and refocusing your sales team. (You didn't think it was going to be easy, did you?)

Getting started

Many home builders ask prospects how they heard of them. Typically, when a prospect says that he or she was it sink in: The prospects who are most likely to buy from you are the ones who have been referred by family members and friends. Because of this third-party endorsement, referral-generated home buyers are the most cost-efficient, profitable and loyal sources of new business. Not only do they tend to buy quicker, they tend to negotiate less, purchase upgrades and refer more business to you.

According to Avid's own research, referral prospects are twice as likely to make a purchase within six months as a marketed prospect.

Tom Hopkins, author of "Sales Prospecting for Dummies," maintains that your closing ratio for non-quali-

You and your **staff must** place serious effort on **tracking referrals**, **screening potential customers** and refocusing your sales team.

referred by a friend or family member, that fact might be documented, but it often dies there. Yet that is some of the most important information a sales team can have to act upon — and most do little.

It seems obvious, but let

fied leads is 10 percent versus 60 percent with referred leads. So it makes sense for your team to spend less time with cold prospects and more time identifying and servicing referred prospects. That doesn't mean ignoring pros-

pects who are not pre-qualified. Rather, it means realigning your resources to get the biggest return on your investment. The best in satisfaction are focusing hard on these referral customers and experiencing higher conversions because of this focus.

Sell your customer satisfaction referrals by identifying who referred customers and when. Have a good strategy to bring the refferer into the sales process from the get-go. And be careful of rewarding the referrer over the prospective customers. (See the sidebar for further explanation.)

To meet the economic challenges of tomorrow, home builders need to start a referral program today. After all, without a battalion of avid customers in your communities, you have fewer volunteer salespeople working for your success. **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.

Manage Referrals

STEP 1: IDENTIFY Institute a good tracking system for referrals. Not only do

referrals. Not only do you want to know which prospects were referred to you, you also want to know who referred them and when.

STEP 3: STRATEGIZE

Bring the referrer into the conversation as soon as possible, because that person is the main reason you're even talking with the prospect. Rick Heaston of the Avid Selling Program is the master at this type of selling strategy and can help.

STEP 3: UP REFERRAL TRAFFIC

Beware of rewarding existing homeowners, a step that can actually decrease referrals. Instead give a gift to the referred prospect instead of (or in conjunction with) the referring homeowner.





Even before the housing market downturn, the building products supply chain was going through a period of what could charitably be called "change." Uncharitably, it could be called bedlam. Consolidation was rampant. Chief among the players was ProBuild Holdings. Backed by Fidelity Investments, the company acquired more than 500 locations in 40 states, branding a national building product supplier for home builders. Stock Building Supply in Raleigh, N.C., embarked on a similar acquisition spree although with a strategy focused on a different location profile.

In the West, BMHC Holdings of Boise, Idaho, established its SelectBuild subsidiary (in May 2008 the subsidiary merged with BMC West, BMHC's other subsidiary). By purchasing local trade contractors, SelectBuild offered bundled product and installation services. In some markets, SelectBuild delivered complete turnkey construction services for home builders.

Since those heady, dreamy days, much of the supply chain has seen its prospects cut in half or worse. ProBuild's 2008 revenues were 30 percent of what it achieved in 2007 in spite of growth from continued acquisitions. BMHC filed for Chapter II bankruptcy protection in June 2009.

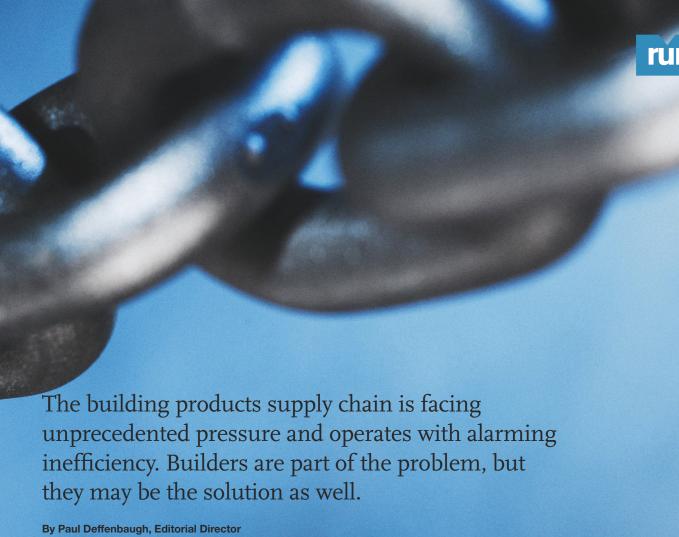
All of this activity was an attempt to overcome the major

failing of the entire building products distribution channel: inefficiency. Paul Teicholz, a professor at Stanford University, studied the labor productivity of the construction industry. Compared with productivity in 1964, the labor productivity in construction has declined on average .59 percent per year. In contrast, labor productivity in non-farm industries — think manufacturing — has increased 1.77 percent on average per year. Over a 40-year period, that means construction productivity has decreased nearly 25 percent while other industries have seen productivity increase well over 200 percent. The reason? Too many players carry too much inventory to meet uncertain product demand on deadlines that are poorly communicated.

As in any free market economy, there are players trying to make the flow more efficient. Achieving that will bring greater value and profit margins to everyone in the chain. That is the motivation behind the ProBuild roll-up and the SelectBuild bundling of service and material. But those enterprises may not be able to overcome the problem.

Who's the culprit?

When builders try to bring down the cost of construction, they tend to look for breaks from their trade contractors and



suppliers. That makes sense in a way. The trades bring the material and labor to the site and are the most likely, it would seem, to get efficiencies.

Ken Pinto disagrees with that assumption. The director of supply chain management for Standard Pacific Homes points the finger squarely at builders themselves. Home builders, he says, "wanted to simplify things a bit, so instead of collecting take-off information we went to this lump sum environment. When we did that, we had no need for a taxonomy to support detailed take-off information. ... I've come to find out it's been one of the most damaging things to our industry."

Pinto always wondered why division presidents didn't ask more from their purchasing agents in terms of cost control. The reason, he says, is because when the division president produces a report from accounting software, all the blanks are filled in. If you have to enter detailed cost information, there will be blanks, which would force division presidents to ask for more cost information. In other words, lump sum estimating and purchasing procedures do not provide the accountability that true cost control information would allow.

How does that affect the building product chain? Let's turn to Matt Sanders, associate partner at Symbius Corp., a supply chain

management consultancy for home builders. "Visibility is what creates efficiency," he says. If a builder doesn't understand how his trade makes a materials list, marks up materials and labor, and makes his profit margins, the builder can't see where to get efficiencies and reduced cost. "As builders get more sophisticated about expressing their demand needs ... at the product level, the framer, his distributor, right up the chain can use that information to lean out their own systems and lean out their own inventory and help them manage their own business better." Without visibility, everyone will continue to pad what they're doing to make the process work.

Strive to survive

The result of this invisibility is a supply chain in turmoil. As the housing market deteriorated, the players in that chain scrambled to survive. Home builders, who have become used to having a supply chain devoted to serving their needs, now find a chain that is making friends in some new places.

Jon Davis grew up in the family lumberyard business his grandfather started in 1935 in Hutchinson, Kan. He's been through the tough times. In the late 1970s, Davis Home Center had three locations, including a truss and wall panel plant and

retail home center. When the major employer dropped out and the home building industry plummeted under the weight of astronomical mortgage rates, Davis had to cut the staff from 77 employees to 19. They went into survival mode, and he and his brother shepherded the company through until they sold to Star Lumber in 1990. Davis then worked for Star for 17 years and now consults for dealers facing the same issues he faced.

"I'm appalled at how many dealers have seen their volume drop by 60–80 percent but haven't dropped a location, haven't adjusted payroll," Davis says.

Davis suggests a couple of survival strategies for dealers. First, pro dealers should take the skill sets they have in selling to home builders, then identify other customers. "Suppliers can't afford to pass up anything," he says. "But they can't abandon their core.

"What I say to my dealer is: You've had it so good for so long that you haven't identified the customer's needs and marketed aggressively. Even mediocre guys were doing well because of

so much business. ... In many cases, pro suppliers and large home builders don't know what to do to adapt."

Commercial construction clients are an obvious diversification strategy that meets the needs of the market, but Davis suggests another business as a good example: replacement windows. Instead of just selling windows to builders and remodelers, he argues that now is the time for dealers to offer installed services to consumers as well. Traditionally, dealers have shied away from such a tack because they feared alienating their core customers.

As we work through this downturn, builders will find the nature of the relationship with their dealers is changing and will have to become more of a partnership because the dealer is working to survive as well. Cutting each other's throats over costs is the equivalent of mutual assured destruction — the old Cold War strategy to prevent nuclear holocaust.

The new role of partnerships is extolled by Greg Brooks, president of The Building Supply Channel in Albany, Ind. His company offers market research, training and consulting for the construction supply industry. Brooks has also been a student of the industry for more than 40 years. He argues that the lumber dealers who are surviving are the ones who didn't necessarily jump on the production builder bandwagon and tend to be in smaller markets. The smaller markets forced them to be more diversified.

"There has always been this historical adversarial relationship between builders and their suppliers and subs," he says. "That builders are so concerned with cost that in some cases they don't look at total installed cost, they're just looking at price. There is evidence that there may be a movement toward stronger partnerships ... an exclusive relationship where I'm

going to give you all my homes in this market. Period. Then we're going to work together to take cost out of the system."

What you won't find as a survival strategy from pro dealers is diversification into new product lines. On this, Brooks, Davis and Sanders agree. For a lumber and materials dealer who may have a truss plant or wall panel shop, it would require too much capital to suddenly offer roofing, windows or drywall if those products are not already part of the enterprise. The capital isn't available and the risk is too high. As Davis says, "Their net worth is getting hammered."

New tech

With all this turmoil and inefficiency in the supply chain, what is most surprising may be how little technology is used to make it more efficient. One of the few players in this space,

Home builders, who have become used to a supply chain that is devoted to serving their needs, now find a chain that is making friends in new places.

and perhaps the most successful, is Hyphen Solutions. The software company offers packages for builders (BuildPro) and suppliers (SupplyPro) that facilitate communication along the chain.

Ken Pinto of Standard Pacific has done a test case in Tampa, Fla., with Kwikset, the door hardware manufacturer. His complaint is the builders only talk with trades. And trades only talk with suppliers. And suppliers only talk with manufacturers. Using Hyphen Solutions software has opened up the communication so everyone sees the same information at the same time. He explains: "When we build a house in Tampa, about a week before the foundation trenches, Kwikset knows what kind of locks are going to go on that house, and what date they're going to be needed."

This gives Kwikset a 90- to 100-day window into demand for their products from Standard Pacific. In fact, Kwikset wrote an interface that connects Hyphen Solutions SupplyPro with their manufacturing software. Kwikset knows exactly what the demand for its products will be.

The enterprise, though, rests on the ability of Standard Pacific to have a detailed understanding of its product demand, capture that understanding in its purchase orders and communicate it to the entire chain.

The result is that while builders may be the root of the problem, as Pinto suggests, they are also the root of the solution. In the end, when manufacturers and suppliers such as Kwikset and its distribution channel know exactly how many and when its products will be used, the supply chain can deliver more efficiently and take significant cost out of the system.

Until that day, the supply chain will continue to be in turmoil and builders will continue be frustrated by cost control. **PB**

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Meritage Homes Corp. of Scottsdale, Ariz., is reaching out to first-time buyers with "Make the Meritage Move," a campaign that utilizes, among other things, lifesize cutouts of people with green moving boxes promoting a total move-in cost of \$500. Launched in March 2008, the campaign is generating approximately 60 percent of the builder's sales.

Photo: Martz Agency

Recruit a top sales staff [page 19]

Selling in the virtual world [page 20]



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[SALES & MARKETING]

How **Not** to Recruit **Top Performers**



Getting the best sales professionals on board takes know-how. We debunk the top misconceptions.

By John Rymer, New Home Knowledge

ot a week goes by that a builder doesn't call me with the following assignment: "I know I'm missing sales due to my sales team. Put together the names of the top sales professionals, and I'll show them a compensation package that will have them doing somersaults to join my company." While my first thought is that it's great to see that they are focused on sales excellence as a way to maximize their sales, it also concerns me that many builders have an unrealistic idea of what it takes to attract

to passively sit back and bide their time waiting for the market to return. Many top professionals have moved on to other jobs that offer more lucrative compensation representing banks on foreclosure sales, consortium shortsales or even real-estate sales positions. Your competition for their services is often not the builder down the street.

Misconception #2: High commissions and bonuses are the No. I draw to attract top sales talent. As the saying goes, "A very high percentage of zero is still zero." The first

Management needs to work with your top performers to understand why you're losing out, to whom you're losing sales and what needs to happen to become competitive.

and retain top performers in today's market. So let's look at the facts.

Misconception #1: Former new-home sales top performers are toiling away at dead-end new-home communities. As with any industry, the very elite are not satisfied

thing a top performer wants to know is, "Why will your community be successful?" The old paradigm "I can sell anything" has been replaced with, "I can get you more than your fair share of sales, but I need a competitive product to be successful."

Misconception #3: Once hired, leave your top performers alone and let them succeed. Competition in the new-home market is very dynamic in today's market. What was a great deal yesterday is often not competitive today. Expectations for sales must be built around "fair share" models. If you're not getting sales, management needs to work with your top performers to understand why you're losing out, to whom you're losing sales and what needs to happen to become competitive.

Now is the time to improve the quality of your sales team. As a hunter friend of mine says: "Toward the end of the season, most quail hunters think all of the coveys have been shot out. But by changing tactics, you can find birds in incredible numbers." **PB**

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

Rymer's Rules

MANY TRUE TOP PERFORMERS ARE NO LONGER IN NEW-HOME SALES

Many top professionals have moved on to other jobs that offer more lucrative compensation, such as representing banks or CMBS trusts on foreclosure sales.

HIGH COMMISSIONS AND BONUSES ARE NOT THE NO. 1 DRAW

The first thing a top performer wants to know is, "Why will your community be successful?"

KEEPING ENGAGED IN SALES IS THE KEY TO RETAINING TOP PERFORM-

ERS What was a fair deal yesterday may not be competitive today. Stay involved.







Furnished model homes are expensive under any market conditions, but virtual home tours cost less and can be a very effective marketing tool — especially when construction is a long way off.

By Susan Bady, Senior Editor, Design

hen Cornerstone Communities opened its luxury condominium project, Terrazza, for pre-sales in April 2007, there were no model homes and no on-site amenities. Instead, Cornerstone used virtual tours to show what the homes and community would look like.

"We knew we were not going to have anything for people to see for 14 months," says Brad Clason, a Coatesville, Pa., marketing consultant who worked on the project. "Also, we were in a suburban market where no one had done condominiums of any sort in a long time."

Cornerstone sold 45 homes before opening physical models. "Most important, our initial success was such that the lender gave us the go-ahead on the second build-

ing within six weeks," Clason says.

Virtual Solutions, based in Bonita Springs, Fla., supplied the 3-D images and animation for approximately \$85,000. "They did a real nice job of furnishing the virtual models appropriately and even showing actual views outside the windows," says David Della Porta, president of Cornerstone Communities in Villanova, Pa. Clason notes that in today's market, a developer could reproduce a similar virtual portfolio at more competitive costs.

Sarah Peck, principal of Progressive Housing Ventures in Malvern, Pa., says the authenticity of virtual tours gave her a big head start on sales at the Green Street Mews townhome development. Every detail, from the artwork to the silverware on the dining room table, was scanned in. The furniture came from retail stores where local buyers actually shopped. Even the views were replicated.

"I sold half the job from virtual tours of two plans," says Peck.
"By the time the model home opened, the rest of that first building of 10 units was sold and people were already moved in."

Peck used Design East Interiors of Exeter, N.H., and Builders Design in Gaithersburg, Md., to get two different looks. The interior design firms thought through the buyer profile, space-planned the furniture and created a lighting plan for each model. "Not only could the buyer see the finishes exactly as we were offering them, they could also play with their furnishings, using bird's-eye views and snapshots of rooms from different angles." The cost was approximately \$32,000, including the interior design fees. DieselHorse Studios of Moorestown, N.J., provided the 3-D renderings and animation.

Virtual tours alone won't sell houses; they must be integrated into part of a builder's sales and marketing campaign to have the maximum impact. Clason says that although they contributed to the success of Terrazza, the key was to use them as part of a suite of sales-center tools, including a large scale model; touch-screens that helped buyers choose their elevations and floor plans; and virtual tours of the clubhouse and five models.

Multiple uses

Today, builders use virtual tours during the entitlement process; for large master-planned communities and multi-family projects, when there is a long lead time between pre-sales and construction; and to iron out design problems before any dirt is turned (see sidebar). In redevelopment areas where the entire neighborhood is undergoing change, virtual reality can show prospective buyers what a project is going to look like in two, five and 10 years.

In the San Francisco Bay area, virtual tours are required for entitlement, says Chip Pierson, principal and general manager of Dahlin Group Architecture Planning in Pleasanton, Calif. Dahlin's Digital Imaging Studio creates drivethroughs, flyovers and model tours for builders to show at the design review for the planning commission.

Lennar Communities' Urban Division, based in San Francisco, has created virtual tours for urban high-rise projects where purchases are made as much as two years in advance. "You can show the specific building and the coffee shop on the corner, the park down the street, the museum. The buyer gets this wonderful experience before anything has even come out of the ground," says Lynn Bell, director of sales.

Virtual reality isn't a slam dunk in every situation. Bell says the virtual tours for BLU, a high-rise in downtown San Francisco, did create some pent-up interest. But market fluctuations forced Lennar to accelerate construction to accommodate buyers who wanted to close in 45 to 60 days. "For one of our next projects, a large master-planned community,

WHITE-WALL TOURS REAP BIG SAVINGS

IF YOU'RE PLANNING to build virtual models, consider first doing a virtual "white-wall" tour to simulate a framing walkthrough. It could save you thousands of dollars in design changes.

New York marketing consultant Elise Platt says the tours "literally give you the ability to fix everything." Platt continues: "I can't even imagine the amount of money [my clients] would spend after a framing walk-through, when we'd walk through the house and start tearing stuff apart — \$25,000? \$35,000? Now we spend about \$1,500 on a white wall tour."

Builders that take full advantage of white-wall modeling, including Toronto condo developer Tridel, find that it adds considerably to ROI on virtual tours, says Frank Guido of Aareas Interactive: "They get us involved early so they can optimize the building design, and then they create the marketing materials."

Working from the architect's plans, Virtual Media in Montreal, Quebec, Canada, builds the walls and roof in 3-D. Windows and doors are installed; interior walls are plastered and painted white; and rough flooring is put down. Steve Raut, production director for Virtual Media, says the white-wall tour allows architects and builders to review complex ceiling treatments and the height and placement of windows and other details, ensuring they are correct and to code.

White-wall technology hasn't been used as much in residential construction as in the commercial sector, says Philadelphia-area builder Sarah Peck, "but you save so much money by doing that. It's easier to look at a home in a three-dimensional view where you can see the conflicts and, at a fraction of the cost, make the change right then and there."

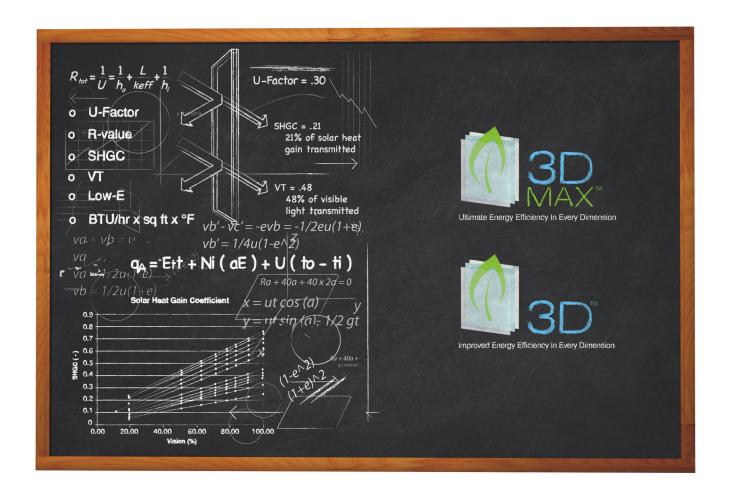


WHITE-WALL tours allow designers and builders to do a virtual walkthrough of a home and make changes on the computer instead of in the field.

Image: Virtual Media

it's going to be more important for us to use VR to tell our story," says Bell.

"If you're doing single-family housing and you're going to have models ready three or four months after you open, the cost probably isn't worth it. But when you want to portray a lifestyle or amenities that won't be visible to prospects for 12, 18 or 24 months, this is a great technology," Clason says, adding that traditional neighborhood developments, where



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it's hard to visualize the curb appeal until a few dozen homes are built, greatly benefit from virtual-reality technology.

Marketing consultant Elise Platt, president of E.A. Platt & Co. in New York, can testify that virtual reality makes an unbuilt community come alive. "With the banks requiring so many more pre-sales, I don't see how builders can avoid using it," Platt says. And it's to the builder's advantage to do virtual reality right, even if it costs more. "You can buy [stock] virtual programs for \$5,000 a tour, but that doesn't necessarily take

you where you want to go, and it can even be distracting."

Platt and nationally recognized interior designer Lita Dirks of Greenwood Village, Colo., created a virtual library using catalogs from Pottery Barn, Crate and Barrel, Ethan Allen and other furniture retailers. "Lita does our model presentation before doing the virtuals, then scans in the fabrics, furnishings and accessories she has chosen. When buyers walk through the physical models 10 months later, the homes look really familiar to them," Platt says.

WATCH VIRTUAL TOURS AND FIND RESOURCES ONLINE

WANT A DEMONSTRATION of the latest virtual technology? Go to www.housingzone. com. You'll also find links to a variety of virtual model tours and tips on finding a virtual provider.

No more Nintendo

There's no question that virtual technology, which has been around for at least 20 years, has become more sophisticated. "When we first started in 1991, virtual was very time-consuming," says Frank Guido, president and CEO of Aareas Interactive, a 3-D rendering and animation company based in Toronto. "There were very few companies doing it ,and the quality was very Nintendo-graphic-ish."

Today the process is much faster and more photo-realistic. Thanks to more powerful hardware and software, it's possible to make flags ripple and trees sway in the background, Guido says.

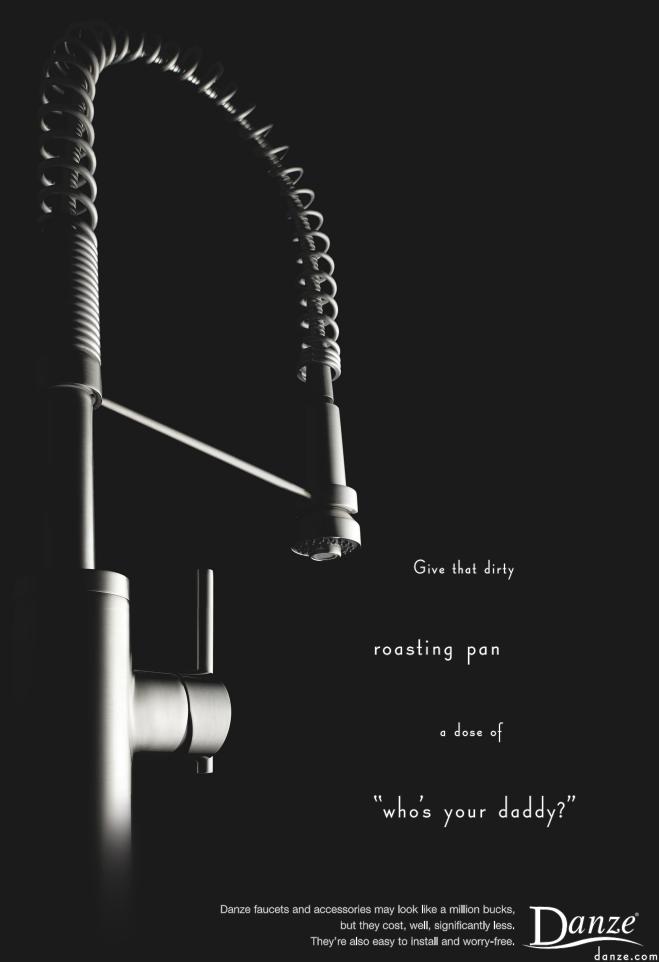
Virtual technology creates a sense of anticipation that can only be equaled by an actual site visit. Viewers "drive" through the community's virtual entrance and around the neighborhood, then fly over and inside the clubhouse and other amenities. Video footage of people using the facilities can be incorporated to convey lifestyle.

The Marketing Directors, a New York residential real-estate sales and marketing firm, has found that virtual tours are most effective on social networking sites such as Facebook and YouTube. "We also embed them in e-mails to Realtors and prospective buyers," says Martin Brady, vice president of sales. "They have movement and excitement. We get more calls and click-throughs when we put a virtual tour or 360-degree panoramic tour in the link than we do with a static picture."

Brady says the tours have probably doubled broker co-op activity. "I have a condominium building in Hoboken, N.J., which is still not completed. We're doing it in pre-sale from a very small sales office without models. Through the virtual tours we've been able to sell 11 of the 16 units in about four months, which really is tremendous in this marketplace."

Tridel, a large high-rise condominium developer in Toronto, has made virtual tours an integral part of its sales presentations for more than 10 years. There are no floor plans on the walls of their sales offices — just flat-screen TVs.

"We pre-sell the vast majority of our product before we start construction," says Jim Ritchie, senior vice president of Tridel. "VR enables consumers to understand large, complex architectural designs, and the better they understand it, the better the chances that they'll purchase a home." **PB**





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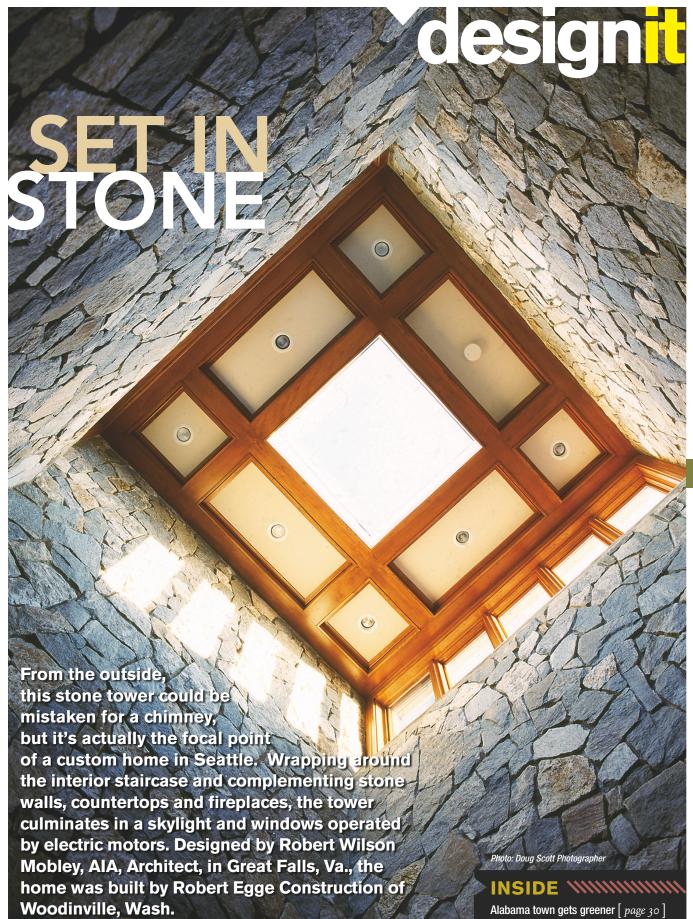




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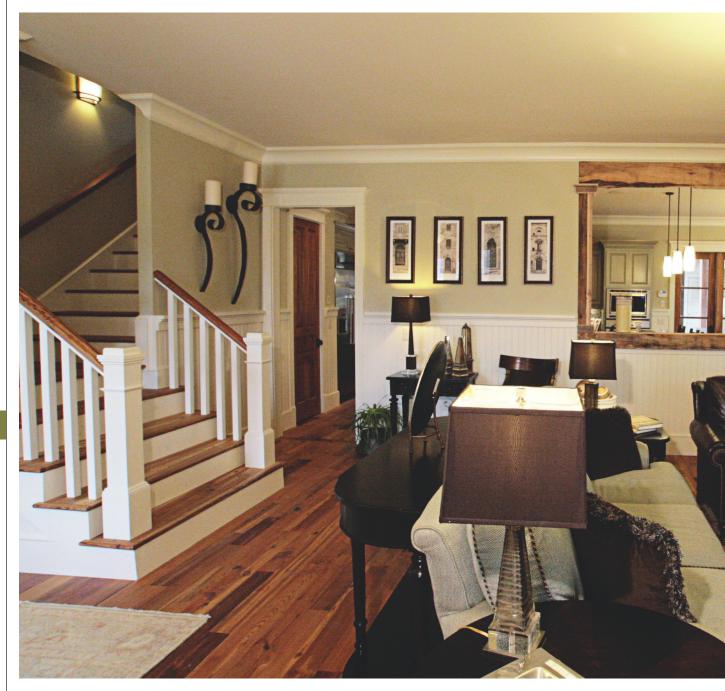
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Professional Builder / August 2009

www.ProBuilder.com





Two years ago, home builder Jeremy Friedman decided he wanted to learn more about green building. After attending the NAHB Green Building Conference in St. Louis, Friedman, owner of Kaloosa Builders in Fairhope, Ala., started building Energy Star homes, then completed two NAHB green certified homes. One of those homes, dubbed the Fairhope Green Home Project, has attracted so much publicity that other local builders are jumping aboard the green bandwagon.

Friedman, who earned his Certified Green Professional designation in 2008, says "it just made sense" to build green: "To me, it's a better constructed, more durable and more efficient home."

What's remarkable about this particular home, aside from the fact that it scored 439 points and earned a gold rating under the NAHB National Green Building program, is that it was completed in six months from permitting to final finishes. That's a little quicker than Friedman expected for a 3,610-square-foot spec home with so many features tied to energy efficiency, sustainability and indoor air quality. These include a geothermal heating and cooling system; reclaimed wood doors, flooring and interior trim; a central vacuum system; a direct-vent fireplace; Energy Star appliances; low-flow plumbing fixtures; and native drought-tolerant landscaping.

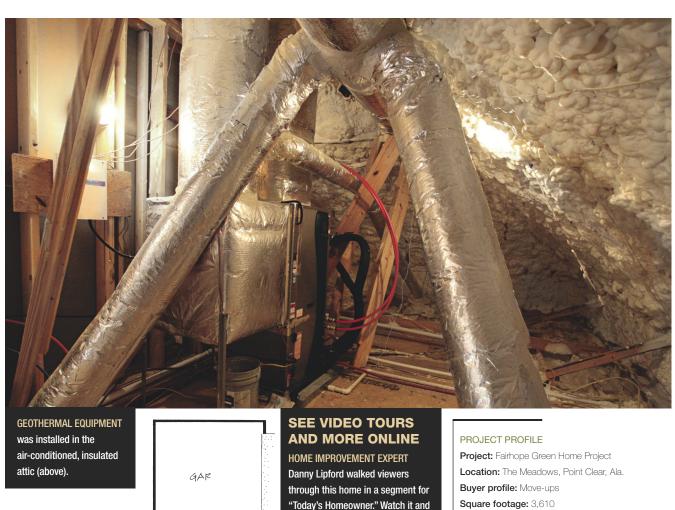
"The site was very easy to work with, except when we were boring the loops for the geothermal system," says Friedman. "Each loop is 250 feet deep. [The HVAC contractor] hit a gravel layer about 200 feet down and kept losing pressure on the drill." The problem was corrected, but it took about a week longer than anticipated to finish the job.

Friedman's crew used spray foam insulation in the walls as well as inside the attic and roof deck. All ductwork is in conditioned space. The fiberglass windows are wood-clad on the inside and fitted with Low-E2 glass.

"The geothermal system allowed us to get extremely efficient both heating and cooling-wise," he says. "We've estimated that the energy costs for this house average \$73 a month. For a house this size, that's a really good number." Because the system uses waste heat (heat recovered from the pump's compressor discharge gas) to preheat water for the house, the water bill averages only about \$20 per month.

All the doors are made of either FSC-certified wood or wood with recycled content. The flooring is heart pine reclaimed from old warehouses. Recycled glass tile was used for the kitchen backsplash.

"The whole subdivision is a former pecan orchard," Friedman says. "We removed a large pecan tree from the site. That gave us a lot of timber, which was used for the fireplace mantel and a couple of arched openings."



another video tour at HousingZone. com. While you're there you can also read about the cutting-edge green products used in the home and a profile of the Fairhope, Ala., patio market.

parch

DR 15×16



Sales price: \$659,000

Fairhope, Ala.

PRODUCTS USED

Cabinetry: Custom

Ceiling fans: Quorum

HVAC: WaterFurnace

Appliances: Thermador

Foley, Ala.

Hard costs: \$125 per square foot

Builder: Kaloosa Builders, Fairhope, Ala.

Residential designer: Chatham Design Group,

Interior designer: Malouf Furniture & Design,

Bath fixtures: Caroma, Kohler, Moen

Central vacuum system: Vacuflo Countertops: Custom granite Doors: McPhillips Manufacturing

Kitchen fixtures: Barclay (sink), Grohe (faucet) Lighting fixtures: The CopperSmith, Hubbardton

Forge, Norwell, Troy Lighting, Uttermost Roof/wall sheathing and subflooring: Huber

Flooring: Custom-milled antique heart pine

Engineered Woods

Windows: Integrity from Marvin Windows and Doors

Professional Builder / August 2009

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MBR

18x18

BR 16×13

lat FL

HVAC outlets were masked during construction to keep dust out of the ductwork and maintain future air quality. Paints, sealants and adhesives are either low- or no-VOC, including a finish on the wood flooring made with citrus and cashew oils.

Casual cottage

One of the goals of the project was to prove that a high-performance home can also be beautiful. Bob Chatham, principal of Chatham Design Group in Fairhope, took his cues from the Fairhope cottage style with its expansive porches, hip roofs, exposed rafter tails, operable shutters and board-and-batten siding. But he also tried something different.

"We built a 3-foot knee wall in the attic, so on the outside of the house there's about four feet of exposure above the frontporch beam," says Chatham. "Then we put a skirting around the perimeter of the beam and cedar shakes above the skirting. It's hard to make that treatment attractive if you don't do it correctly. I think Jeremy did a good job."

Chatham designed the home to fit a 90-by-142-foot lot. A detached, rear-loaded, two-car garage is connected to the house by a breezeway. "In Fairhope, if you detach the garage and put it 10 feet away from the main house, it can be as close as 5 feet from the property line, whereas the building setbacks for the structure itself are 35 feet front and rear," he says. "By detaching the garage, we were able to recapture some courtyard space."

The house has a large covered porch in the rear that adjoins a patio and outdoor kitchen; four bedrooms; four bathrooms;

and a bonus room. "We tried to make all the room sizes comfortable. None of the secondary bedrooms are 12 by 12." Chatham allocated as little square footage as possible to hallways while being careful not to compromise privacy. A pocket door in the foyer closes off the second bedroom for the benefit of overnight guests.

The kitchen, which occupies the center of the home, has a breakfast bar and is adjacent to a dining room with French doors to the back porch. "When you walk in the front door you're not staring at the kitchen, yet the kitchen is open to all the other rooms," Friedman comments.

The sunroom was included as an optional breakfast room. Chatham says this is in keeping with Fairhope's casual lifestyle, where the breakfast room is often eliminated and the dining room is informally furnished with a farmhouse-style table.

It's also common in Fairhope to have a master bedroom and secondary bedroom on the first floor. "We try to get two bedrooms on the main floor in most of the homes we design. Since this is a spec home, we were trying to broaden the demographic appeal as much as possible. I envision [the buyers] as being a blended family with a couple of kids." The secondary bedroom on the main floor can serve as a home office, while the bonus room upstairs can either be a game room or a fifth bedroom.

The Fairhope Green Home Project was such a promotional success that the showcase home for the Baldwin County HBA's 2009 Parade of Homes will also be certified green. **PB**

LOCAL SENSATION

A WELL-ORCHESTRATED marketing campaign for the Fairhope Green Home Project got the attention of local residents, potential buyers and builders alike.

The home was first introduced at the 2008 Baldwin County HBA Parade of Homes. The HBA lent some promotional support to the project, and several vendors sponsored it. Local magazines and papers also covered it. "After that it kind of snowballed," builder Jeremy Friedman says. "Now everyone in town knows what you're talking about when you say 'the green house."

Friedman hired a local artist to do a four-color rendering of the home that appeared on posters displayed around downtown Fairhope as well as on T-shirts, direct-mail pieces and other advertising. Malouf Furniture & Design, one of the project's primary sponsors, not only furnished the house but also picked everything from tile to paint colors and granite.

Well over 3,000 people toured the home during open houses and fundraisers. Friedman led a series of free workshops at the site to educate people about the benefits of green building. An NAHB Green Building for Building Professionals class held there was full. "That's actually the first educational event that we've ever sold out," Friedman says. To top it all off, home-improvement expert Danny Lipford taped a video segment about the project for "Today's Homeowner."

Although the home hasn't been sold yet, it has generated a lot of leads for the company, Friedman says: "I'm continuing to build off that marketing success."

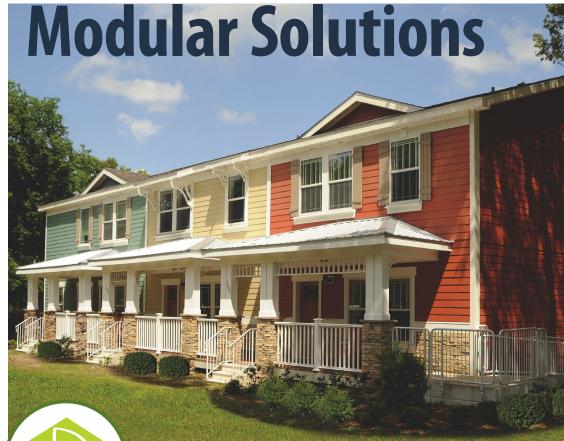
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A COLOR RENDERING of the home by a local artist was used on posters, T-shirts, ads and postcard mailers.

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PART B

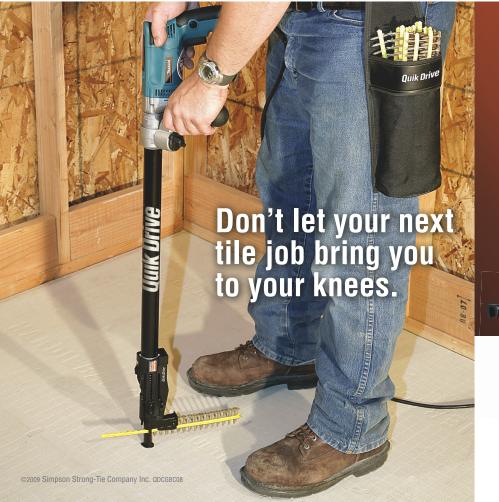
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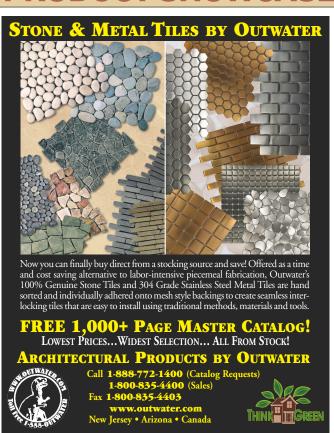




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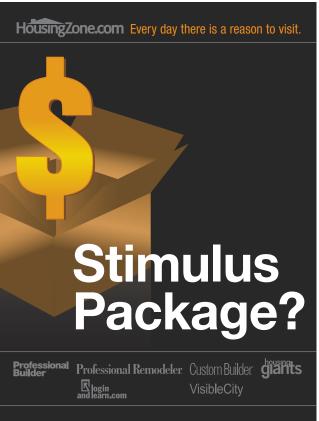




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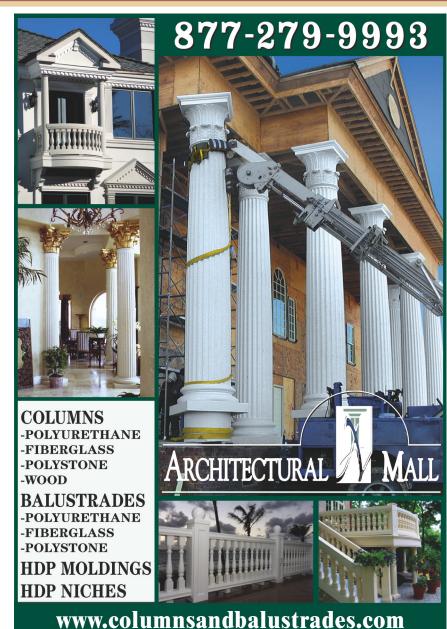
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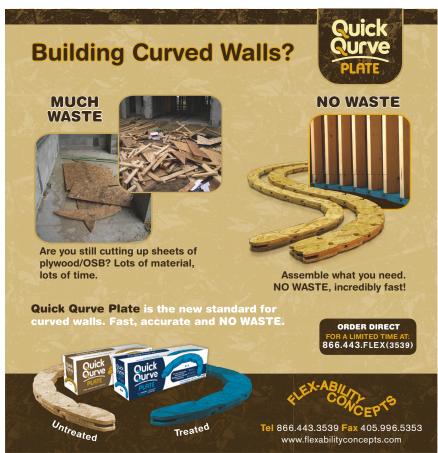


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Think about it

1.53B Who says older generations will be forgotten? The U.S. Census Bureau predicts the world's 65-plus population will be 1.53 billion in 2050, according to the U.S. Census Bureau. Young whippersnappers — those under 15 — are expected to increase in population size by only 6 percent.

That's how much the population of New Orleans grew in 2008. The 8 percent growth rate made it the fastest-growing large.

rate made it the fastest-growing large city in the U.S. last year, according to the



U.S. Census Bureau. The New Orleans population is up since Hurricane Katrina, at almost 312,000, but still falls below the pre-Katrina estimates of almost 485,000.

\$1.2T If the U.S. invests \$520 billion in improving energy efficiency in homes — including basics such as sealing air ducts — the country has the potential to save \$1.2 trillion by 2020, consulting firm McKinsey reports. That would be an energy savings of about 23 percent.

150 In fiscal year 2008, the Internal Revenue Service initiated 268 investigations of tax fraud in the construction industry; 150 of those investigations resulted in convictions. Do those taxes!

19 Nationwide, 19 communities have not faced declines in construction employment, according to an Associated General Contractors of America study that spanned June 2008 to June 2009. Construction employment increased in 10 cities of the 352 metro areas studied.

2.5% There are fewer unoccupied homes out there: **the homeowner vacancy rate dropped** to 2.5 percent in the second quarter, according to the U.S. Census Bureau. That's the **lowest level** since 2006.

\$14.2M The buyers of Orchid House, a property in the United Kingdom said to be the most expensive green home ever sold, bought the home for \$14.2 million, reports WebEcoist.com. That works out to approximately \$6,000 per square foot.



5.5% Home prices in Denver decreased only 5.5 percent in March 2009, according to The Denver Post. It was the lowest decline in **20 American cities** surveyed.

4% The percentage of clients who want more square footage in their new homes this year is 4 percent, compared with 16 percent in 2008, reports the American Institute of Architects.

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