

Fall 2009

Colorado **Builder** FORUM

Journal of the Colorado Association of Home Builders

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Digital Tools:

Synchronize your computers
for smoother work flow

Filled with Promise:

Industry insiders identify
emerging market opportunities

CHANGING POPULATION, CHANGING HOMES:

**DEMOGRAPHIC TRENDS
THAT WILL
SHAPE THE FUTURE**





SEEKING SUCCESS IN THE EMERGING MARKET

THE RE: EXPERT CONSORTIUM REPRESENTS NINE nationally recognized firms with expertise in real estate research, funding, planning, entitlement, marketing, merchandising, public relations, Internet communications and sales. Formed in 2007, the consortium offers comprehensive and highly specialized expertise for investors, lenders, builders and developers.

Members of the Consortium share their various points of view with readers of *Colorado Builder Forum* in this roundtable commentary on emerging market opportunities.»



LANCE JACKSON

FOUNDER, RE: EXPERT CONSORTIUM
PRESIDENT/STRATEGIC BRAND DIRECTOR
ART + BUSINESS ONE, LLC

For those who are willing to acquire and use the latest research in understanding their buyers, the emerging market will be filled with promise. Future project success will depend not just on a comprehensive understanding of demographic information or prospect “move-up, move-down” life stage, but more importantly on consumers’ buying patterns, their proven wants ... their emotional dimensions.

Beyond merely acquiring these insights in a research report that is too soon filed away, the successful developer or builder will incorporate future buyers’ psychographics

in every aspect of planning, design, merchandising, marketing and sales. In the emerging market, the psychographic profiles of carefully targeted future buyers will have a governing seat at the head of the project visioning table. The buyer will be king from the very beginning. Being “buyer-centric” will be the name of the game on every level at every critical decision point. The past was about “build it and they will come.” The emerging market will be about “find out who they are and what they want, then build it and sell it to them.”

ANGELA HARRIS

PRINCIPAL, TRIO INTERIOR DESIGN

Industry partners will soon find that complacency in merchandising is a thing of the past. The days of ordinary will no longer be acceptable, and only extraordinary will exist. Today, owning a home has once again become a luxury and not just yesterday's investment. Thus, the most likely to succeed are the builders and developers who know and understand their customers and can merchandise their products to reach these buyers.

A successful merchandising project has five essential components:

1. Know and understand the research behind your customer, and make sure that your merchandising firm understands the same material. If you don't have the research, get it. Don't start a merchandising project without it.
2. Capture your buyers' attention by evoking unknown emotion. Tap into the buyers' lifestyle patterns, catching challenges that they foresee, and seizing images of their hopes and dreams to secure unknown emotion.
3. Secure the trust of your buyers through merchandising quality. Use fewer items but seek higher quality in each item used in your merchandising. Simplicity should be your new focus.
4. Grab hold of your buyers' inherent values. Reconnecting to what is important will be a larger value-added proposition to your perspective buyers.
5. Incorporate all aspects of sustainability into your merchandising efforts. Buyers will quickly become more educated about sustainability and will be looking for the product that has incorporated these attributes.



MATT BUCHENAU

PRESIDENT/OWNER, 5WEIGHT INTERNET MARKETING, LLC

Builders and developers understand how audience behaviors and buying habits have changed. They also realize that their Web site has moved from a

mere component of a marketing mix to the central hub of their entire marketing and sales plan. Knowing versus executing, however, are two different things, and most simply grapple with how to do a better job of Internet marketing with smaller staffs and slashed budgets.

The good news? Marketing on the Web can be done well without the enormous expense of traditional advertising methods. The problem? Without experienced guidance and measurable goals, even tech-savvy builders and developers tend to wander around the Web ineffectively, trying this and testing that, or become so overwhelmed with the idea and expense of change that they delay or underfund the effort. Changing this attitude is critical. The days of "launch-it-and-leave-it" are over.

Setting aside the discussion about wide-open Internet creativity for now, effective Web marketing must include an engaging and adaptable Web site base; ongoing organic search optimization; actively managed social media components; precision e-marketing; and demographically, geographically and behaviorally targeted online advertising. Web marketing should also be mobile-device friendly. Tracking all of the above is vital to long-term success.

JENNIFER GORE

PRESIDENT, JENNIFER GORE UNLIMITED
(NEW HOUSE SALES AND MARKETING AND CONSULTATION)



There's a consensus among sales managers that you can teach salespeople product knowledge but you cannot teach attitude! The attitude of "If you believe it, you can achieve it" is an inherent quality in the best salespeople. Can you teach attitude? Perhaps ... or at least you can give salespeople the tools they need to have that positive attitude.

Do your salespeople believe in your homes, your philosophy, your construction and your competitive edge? Do you coach them to understand your buyers and how to sell to them? Do your salespeople know the fears that buyers have about the market today? Do they understand how to negotiate on your behalf, to protect your value while assuring buyers that your home IS the "best deal"? Do they have sufficient confidence in your pricing that comes from a true understanding of market conditions and your competitive edge? Although the best salespeople have the strength of character to create their own positive reality, they will thrive in an environment that gives them the tools for success. And your success depends upon it!

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JIM CZUPOR

PRINCIPAL

THE INTERPRO GROUP (PUBLIC RELATIONS/MARKETING CONSULTANT)

Half the battle in achieving success is just recognizing how different and dynamic the new market is than it was a mere 24 months ago. The market has changed dramatically because of economics and technology.

Current economic conditions demand that we all make smarter choices, and the customer is being more demanding in terms of price, quality, and a higher expectation of experience and service. Technology, meanwhile, has fragmented the market, giving the customer more channels to choose from to get – and create – information. What that means is that we no longer can rely on pushing information to customers via an “outbound” intrusive marketing effort without also employing an “inbound” marketing effort in which we create a meaningful dialogue with our customers and engage each other in conversation and decision-making.

And with all this fragmentation, we have to be conscious of the many segments of our audience and potential buyers. We have to know the channels of communication they prefer, and we have to set ourselves apart from the competition. We have to tell an engaging and compelling story about our business – why it is better and what we believe – so customers will spend time and resources with us.



PETER TOBIN

VICE PRESIDENT

LAND TITLE GUARANTEE COMPANY, BUILDER SEGMENT

The market will come back. That phrase is tiring to hear as the home building industry continues to struggle. The question to ask and the one that we all eagerly await is *when* will the market come back? If we knew, we would all be busily preparing for the next big run. But we don't, so what should we do now? We need to get ready to take the next step.

As a title industry professional, I believe one of the steps to getting ready is to strengthen your title company relationship. You have heard that a million times. So, if you have a solid relationship, great. But what can you do to make it better?

The relationship needs to be developed in a way that you can share all the details of what you want to do. You need to fully trust and open up communications with your title company. If you have title issues, do you have a title expert to call? If there are closing issues, do you have an expert closer to call? Who is your title rep? If you or your attorney has a legal question to discuss, do you have someone to call? A reputable title insurance company would have answers to all of these questions and many more. Don't hold back.

As the buyer, the seller or the lender in a tough, detailed transaction, you want to be protected. Choose a title firm that has longevity, a great reputation, a commitment to the community and strong underwriters to support your transaction. Title companies that want to have a relationship, that work on understanding your business and that work toward efficiencies in today's market will not only take you through the tough times, but will also be there when the good times return.



WAYDE JESTER

DIRECTOR OF CONSULTING
METROSTUDY

We are nearing the end of this down cycle, which means that demand will finally return to the market. As traffic and contracts begin to increase this year and next, we will witness some success stories. It could be a builder series of homes that flies off the shelf or a particular community that pulls in big numbers – or even a mortgage product that works really well.

A key piece of advice: Be wary of chasing those high fliers. Stick with your game plan and what you do best. Modify if necessary, but don't give up your core competency for what you perceive to be instant gratification. You will find it fleeting anyway. Hopefully you have been spending the last several months thinking strategically, perhaps spending more time back in an R&D mindset and planning for how your company will

respond in the recovery. If you haven't, it's not too late, but waste no more time!

Get familiar with how you are positioned in the market – what you do well compared with your competitors and where you fall short. Research the market and observe what is working; it may suit your organization to go after it or it may reveal an opportunity of a different sort. Right now, the sweet spot is low price but the buyer pool is fairly one-dimensional, and this will change as more buyers flood the market. That will likely require a more complex formula weighing price, quality and service in a balancing act that today's home buyer (often a recent home renter) does not demand. Arm yourself with knowledge, and if you need help, go out and get it before you are left behind.



BOB ECK

PRINCIPAL, LAND ASSET STRATEGIES, LLC

Successful real estate developments in the emerging market will all exhibit one common characteristic: operational excellence. From the

very early stages of market research through delivery of the finished product, a disciplined approach to project phase execution won't just be necessary, it will be mandatory!

Now more than ever before the demands on delivering the right product to your customer – in the right place, at the right time and at the right price – will determine the ultimate success and profitability of your project. In deference to ways of the past, the process of getting to this end cannot be left to chance. Purposeful and focused management of each individual development stage by experienced professionals is necessary to ensure maximum stage effectiveness as well as overall coordination with larger project goals and objectives.

The project entitlement stage is worthy of special note when considering expert representation. The results of this stage's execution will determine not only whether the project receives the necessary governmental approvals to move ahead, but will also establish through negotiation the responsibility for the more significant cost and revenue components that are crucial to the project's long-term financial success.



DAN NICKLESS

PRINCIPAL, THE NICKLESS GROUP
(REAL ESTATE INVESTMENT,
PROJECT MANAGEMENT AND
FINANCIAL CONSULTATION)

Land acquisitions and dispositions have been taking a different twist in the new marketplace. Know-

ing your counterpart in the transaction much like knowing your home buyers – will be critical to understanding the motivations and constraints of the “new sellers.” Most transactions in the near term will not follow the traditional developer/builder contract but will require creativity.

New sellers will be primarily banks and lenders, troubled developers, failing builders and project owners that may have unprecedented financial pressures from lenders that may also be faced with regulatory scrutiny. Three-party deals will be commonplace as borrowers seek to avoid guaranties and deficiency judgments while their lenders must move the assets off their books. With focused negotiations, opportunities will be available.

Many landowners simply need to generate activity to repay debt, so addressing sellers' release constraints can lead to a structure they previously would not have considered. Lenders are being forced to demonstrate performance to regulators or face hefty write-downs or write-offs. By helping sellers curtail or amortize their loans, lenders may agree to forgo the profit until the builder affects a third-party closing. If you can ask the right questions and meet lenders' needs, you will be surprised by the potential structures available.

Buyers and sellers need to consider joint ventures, subordinations, kickers, profit sharing and even general contracting arrangements with builders. There are many other creative ways to address lenders' and borrowers' issues, but you must understand these constraints in your strategic planning for negotiations. ■■

For information about the services offered by the RE: Expert Consortium, contact Lance Jackson at (303) 393-8869.