



# The Newsletter for Profit-minded Builders and Contractors

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## Back to Basics: Find Land by Al Trellis and Paul Sharp

Last month we presented an overview of the ten basics of home building. This month we're going to go into depth on the first basic: Master Your Market.

Mastering your market requires knowing two things well – your customers and your own organization. In theory, all you have to do is know what your customers want, and provide it at a price they are willing to pay. Where the theory breaks down is in knowing what people want and need. Too often as builders we get enamored of building what we want, or complacent and build what we have always built. But markets change over time, and tastes change, so what worked three or four years ago might not work as well today.

### Who are your customers?

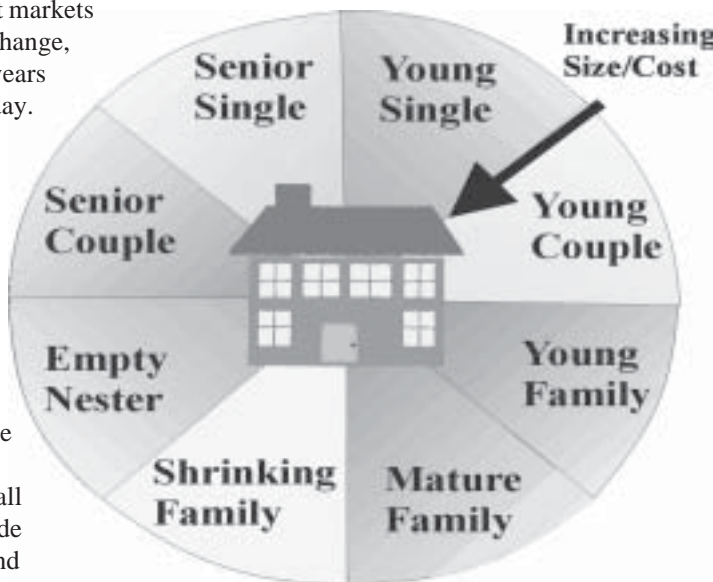
One of the biggest mistakes a builder can make is to try to be all things for all people. Obviously, single, young, affluent professionals have different needs than working class families, and middle class aging baby boomers have different needs than first time buyers. Since you can't serve all those needs, you have to decide who you are going to serve, and then concentrate on understanding and catering to their needs.

*Know how many houses you can build, and how many you can sell. Keep the two in balance.*

Niches can be divided in terms of demographics, income level, or geography. You may determine for example that your market is 40 something two-income families, earning over \$150,000 per year, located within 15 miles of your place

of business. You then need to determine whether there are enough people in that segment to support the level of sales you wish to maintain. The ideal market segment should be big enough to ensure a steady flow of customers, but small enough to avoid too much competition. You also need to know if the segment is growing. For example, the market for empty nester houses is growing in response to the aging of the baby boom. In a few years, however, this market will diminish in size.

One way to understand these different needs is through life cycle analysis. This is based on the premise that individuals have different needs at different stages of their life. The chart on this page shows how a young single buyer can, over the course of his life, change his housing needs eight times or more. Each of those lifestyle changes requires different housing styles, size of home, and level of amenities. A smart builder can spend an entire career concentrating on one demographic segment, and then following that segment throughout their life cycle shifts. The builder can further specialize by deciding where in the size/price



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# News and Reviews

## Home by Design

By Sarah Susanka

*The Not So Big House* series of books has presented some very good ideas, but Sarah Susanka's actual examples have sometimes been too idiosyncratic for my tastes. In this book, she attempts to synthesize the insights of her years of designing homes into a series of specific design guidelines. She illustrates those guidelines with mainstream, elegant examples. She organizes the guidelines into three categories – space, light, and order. Space guidelines include such concepts as defining the entrance, creating interior views, and establishing a relationship between inside and outside spaces. The light section includes insights into window positioning, using windows as vistas, and how to vary light intensity. The order section deals with alignment, pattern, expressed structure, symmetry, and rhythm.

While many of the principles are echoes of Christopher Alexander's *A Pattern Language*, the illustrations and beautiful four-color photos provide wonderful examples of the principles in action. If I had to choose only one of Susanka's books to read, this would be the one.



*Back to Basics*  
*Continued from page 1*

range he wishes to concentrate. While there is a higher gross profit available in the high-end luxury market, there is higher demand and more sales opportunities (and sometimes less competition) in the moderate size/price market.

### Maximize your company's strengths

We can't tell you which market segment is best for you and your company. Only you can make that decision, based on your company's capabilities – including past experience, capitalization, production ability, the skill level of your employees, and personality fit. If you've demonstrated an ability to handle the attention to detail and customer service requirements of high end homes, that's the niche that would suit you best. If you come from a production background, trying to mold your company to the demands of persnickety clients may drive you crazy. You're looking for the best possible fit between your company's strengths and the needs of your clients.

### Profitability

It doesn't do any good building houses if you can't make money doing it. Willie Hutton, when asked why he robbed banks, replied "That's where the money is." Likewise, the niche you choose should be one that you can serve the most profitably. Many small builders discovered they could make more money building fewer houses, at higher price points. Others discovered that by streamlining operations, they could increase production sufficiently to boost profits. You have to determine what the right mix of price and volume is for you and your organization.

### The political climate

Like it or not, you can't ignore the political environment in which you build. Some communities are more builder-friendly than others. High impact fees, a slow approval process, restrictive building codes, and over zealous building inspectors can wreak havoc on your schedule and diminish your profits. Mastering the market requires understanding the political process and working within its parameters to keep

things moving. The second step is to go beyond the current system to influence the climate itself. Having good working relationships with city officials goes a long way toward making your life easier, and working with other builders and the general public to foster creative, attractive and environmentally sound communities, will cement those relationships for future growth.

### Balancing supply and demand

If you build too few houses, you lose potential revenue, and may not efficiently utilize your resources. If you build too many houses, you may have difficulty selling them. Knowing and maintaining the right balance requires skill and judgement. For example, you may presently have the resources (financial and manpower) to build six houses per year. If there is greater demand, you can increase your production capacity (hire more people or improve your production process), increase prices (to reduce demand), or be more selective in your clientele. If your production capacity exceeds sales capacity, you could improve your sales process, or move into a niche with higher demand.

### Who is your competition?

There is an old joke about two hikers in the wood who encounter an angry bear. The one turns and begins running. "What are you doing?" the other hiker asks. "You can't outrun a bear." "I don't have to outrun the bear," his friend replies. "I just have to outrun you."

The same principle applies in the building business. You don't have to be the best builder in the world to be successful – you just have to be the best builder in your marketing niche. You don't have to be the best in everything – for example, you may not want to have the best prices – but you have to be better in those areas that appeal to customer desires. Better design, better location, better "fit and finish" will all set you apart from your competition and allow you to charge a premium for the perceived advantage.

Only by incorporating each of these elements – knowing your customers, knowing your own capabilities, and knowing your competition – can you truly master your market.

# Design Solutions: Interesting streetscapes using multiple elevations

by Bill Watkins and David Court

## THE PROBLEM

When building a portfolio of homes in a community, builders face a continuous dilemma. If they build a wide variety of houses, they get an interesting and varied streetscape, but face a daunting learning curve. If they build the same house again and again, they have efficiency of construction, but have a bland and uninteresting streetscape. Builders try to work around this using different color schemes and material changes, but the effect is still a cookie cutter sameness to the facades.

## THE SOLUTION

The solution is to build a limited number of plans, each with a number of truly different elevations. This doesn't mean simply a

change in color and materials, but an entirely different style elevation, built around the same interior layout. The house shown below is a straightforward plan with the front-loaded garage pushed to the rear of the house. We created six different elevations for this home, in a variety of different styles. In walking down the street no one would know that they are all essentially the same house.

You may have to modify roof styles, and change exterior details and finish materials, but the house is structurally the same. You get the cost savings and experience benefits of building the same house several times, and your customer gets the benefit of the exterior style they desire. Take a few minutes and look at these houses carefully. You'll notice that

there are a few structural differences – where a wall was moved a few feet to create a different facade, and where roofs were changed to match the exterior style. Notice the use of different exterior materials and how this makes each of the houses look quite different from each other. This is not simply pasting on different ornamentation. But basically these are the same houses, with only minor variations.

Notice also that each of these houses works very well with many of the other houses. They're "good neighbors" and complement, rather than clash with each other. Even though the exterior detailing is different in each one, the *level* of detailing is about the same, and this is what keeps them compatible.



*The elevations for these six houses were all created using the same basic floor plan. Elevations by David Court.*



## Ask AI by AI Trellis

### In-house construction trades

**Q**: Which construction trades should a custom builder keep in-house (use payroll employees for?)

**A**: It varies with the style of the business, its size and the region of the country in which one is working. The advantage of in-house trades is more effective control of scheduling and, if you have qualified, diversified people, the ability to move people around to accomplish things in different trades. Additionally, it gives you a greater ability to do punch-out work – especially in small jobs such as remodeling, where it may not be practical to bring in specialists of a particular trade. For example, on a small addition, it may be more efficient for one person to do framing, siding, cornice and trim, whereas in a large house it's more practical to use a framing crew, a trim crew, and a siding and cornice crew.

The disadvantages of in-house trades, or course, is the additional overhead and associated responsibilities that come with having employees. Specifically, one must deal with all the personnel problems such as absence, sick leave, vacation, personal problems and other sundry considerations. Overall, I believe the optimum use of in-house trades occurs for small, lower volume custom builders, and particularly for those who do additions, remodeling, finishing basements, etc. These people have the maximum opportunity to use well-skilled individuals in various trades, maximize their productivity and minimize one's time on coordination of trades, when each trade has only a small task to accomplish.

## A Pattern Language by Paul Sharp and David Court

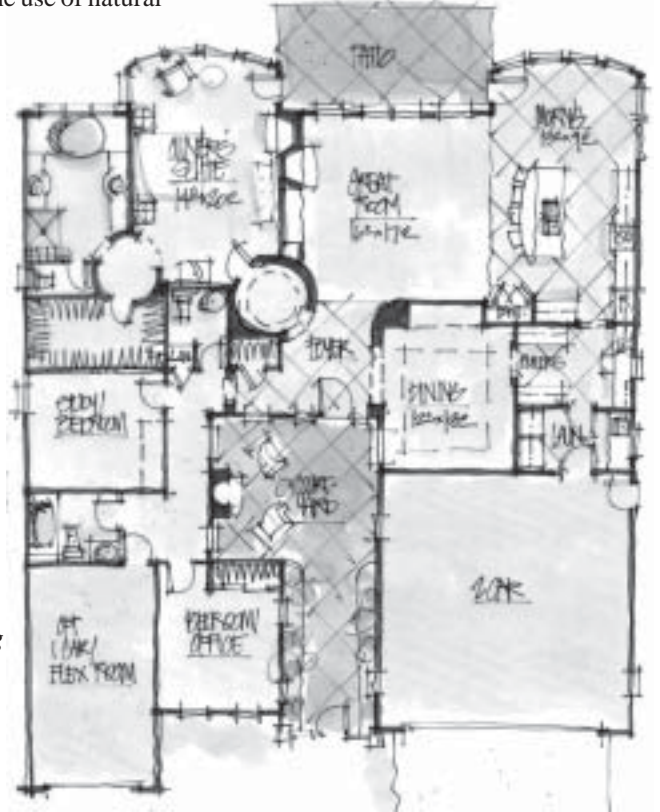
### Wings of Light

Christopher Alexander wrote *A Pattern Language*, outlining over 250 rules of thumb (patterns) that affect home design. We've highlighted some of our favorites. Pattern No. 107, *Wings of Light* deals with shaping the building to maximize the use of natural light.

*“Modern buildings are often shaped with no concern for natural light – they depend almost entirely on artificial light. But buildings which displace natural light as the major source of illumination are not fit places to spend the day. Therefore: Arrange each building so that it breaks down into wings which correspond, approximately, to the most important natural social groups within the building. Make each wing long and as narrow as you can – never more than 25 feet wide.”*

Comments: In terms of enclosing space, the most efficient rectilinear shape to build is a square. However, a

rectangle is often more efficient in terms of light penetration and for minimizing spans. To maximize light, the courtyard home is highly efficient, opening most rooms to outside beauty and enabling most rooms to have light on two sides.



While the footprint of this home seems wide, the small central courtyard divides the house into light-filled wings.

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**Bill Watkins** has 25 years experience as a custom builder. He's noted for his expertise in building management.

**Paul Sharp** is marketing director of Home Builders Network.

**David Court** has 14 years experience in residential design and land planning.

*Quote of the Month*  
“A life spent making mistakes is not only more honorable but more useful than a life spent doing nothing.”  
– George Bernard Shaw

**Next Month: Back to Basics: Look for Land.** Good land for building is getting more expensive and harder to find. How to find land, and how to maximize the benefit from the land you have.