

The News of the Home Builders Association of West Florida

CORNERSTONE

February 2018

Top Design Trends for 2018

page 6

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PARADE OF HOMES AND FALL SHOWCASE OF HOMES: A WINNING COMBINATION

Parade of Homes: May 5 – 13, 2018

Fall Showcase of Homes: October 6-14, 2018

For 2018, the Home Builders Association of West Florida (HBA) will host two community events to give consumers a look at new home construction. The annual Parade of Homes will take place May 5 – 13 with scattered sites throughout Escambia and Santa Rosa Counties. The HBA is bringing back the Fall Showcase of Homes, set for October 6-14, and this event will feature the American Dream Home. The American Dream Homes is being constructed by Alton Lister, of Lister Builders, at the Highlands at the Moors in Santa Rosa County. It will be a change having the Dream Home featured in October but it will add value to the Fall Showcase of Homes.

A trend in our residential market has changed the dynamic in terms of where the Home Builders Association finds a place to build its all-important American Dream Home. Over the past several years, as the residential housing market recovered from the great recession, larger home building companies have purchased entire subdivisions before they were finished by developers. Developers, who have very vivid memories of the great recession, are happy to sell their properties without having to sell packages or lot take downs over a period of time. With one home building company owning the lots, it becomes more challenging for the HBA to find a good place to build the Dream Home. The search to find a location for the Dream Home delayed the HBA Dream Home start. The Board recognized that the May 5 – 13, 2018 Parade of Homes would be challenging to complete construction of the Dream Home in time. The HBA did not want to move the dates of the Parade of Homes into the month of June, so the idea of hosting a Fall Showcase of Homes came to light. The HBA has been successful in the past, when the market was thriving, in hosting a Fall Showcase of Homes. And with the help of our media partners, we are pleased we can host two events this year.

President's Message



TAYLOR LONGSWORTH

“It will be a change having the Dream Home featured in October but it will add value to the Fall Showcase of Homes.”



Top Design Trends for 2018

At the start of each year, the Best in American Living Awards (BALA) recognizes dozens of new projects from this past year that featured the most innovative layouts and eye-catching design elements.

Whether you're looking to buy a new home, thinking about renovating your current one, or you're just interested in what's new in home design, here are some of the biggest trends that you'll see dominating in 2018.

Open but defined floor plans. Instead of one large, undefined space, open floor plans will evolve to include more definition in 2018, whether it's by shifting materials, adding columns, or changing the ceiling height. This way, you can still get the airiness of an open floor plan while giving each section its own definition and style.

More developed regional styles. In both single-family and multifamily projects, strong regional styles have emerged all over the country. For example, in Michigan, expect to see lots of familiar peaked roofs, layered facades, and sturdy columns.

Restored and repurposed. Historic preservation and restoration, as well as adaptive reuse projects, are becoming increasingly popular with multifamily designers and developers. Adaptive reuse projects are particularly sought-after by millennials who love the story behind a repurposed building and want to live somewhere stylish, unique and chic.

Right-sized kitchens. Leave massive kitchen islands in 2017. You'll be seeing far fewer double islands appearing in 2018, and even single islands are being designed to be smaller and more proportionally sized with the kitchen and adjoining rooms.

Spa-like baths. Who doesn't want to feel like they're stepping into a spa every day? Bath design is trending toward refinement and sophistication, with home baths becoming more and more reminiscent of upscale hotels and spas. Tasteful and luxurious are the two words that will define baths in 2018. Floating vanities and stand-alone tubs will also be more popular this year.

Clean details. You'll notice clean, simple lines and detailing in homes everywhere. Forget about overly-ornate decor and shift toward thinking more minimally. It will make your home feel fresh, new, and uncluttered for the year ahead.

Metal and wood exterior details. You'll be seeing this trend a lot this year, particularly on single-family homes. There will be an increased use of metal and wood in exterior details, with the two materials often combined to create interesting, two-tone facades for both traditional and contemporary-style homes. It gives the impression of bringing the past and future together into one cohesive





idea, making homes seem modern and sleek without sacrificing a warm, natural feel.

Whites, grays and charcoal paints.

Gray is still a strong trend with home buyers, and it looks like white is here to stay. You'll see more monochromatic designs that add variety by incorporating multiple textures instead of pops of color. For example, think about a white kitchen with quartzite countertops, a white shiplap ceiling, white cabinets, and airy white window coverings. This creates a clean and multi-layer look that is guaranteed to compliment itself and please a wide variety of buyers.

Courtesy of NAHBnow.com



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March 2018

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Reverse Mortgages for Builders # 0612392, teaches agents how 62+ buyers can use a reverse mortgage purchase loan program to buy a home that will not have a monthly house note. Learn how 15 Year Mortgages may only have 2, 4 or 7 Year Payments. This class comes with a "Certified Reverse Mortgage Specialist Certification" for the builder to use in their advertising and marketing.

WHAT: 2 Hours of Continuing Education

WHEN: Thursday, March 1, 2018

WHERE: HBA office, Cordova Square, 4400 Bayou Blvd., Suite 45, Pensacola, FL 32503

PARKING: Parking in the rear of the Cordova Square office building in large lot.

TIME: 7:30 a.m. Registration/Breakfast

8:00 a.m. – 10:00 a.m. Classes

REGISTRATION: For a registration form, Vicki Pelletier at vicki@hbawf.com or Fax to: 850-494-9764

Sponsor: Laura Gilmore

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Independent Mortgage Corporation

Registration Deadline: February 26, 2018

Mark Your Calendar!

Be on the lookout for Registration info from the HBA.

State of Housing and Economic Study of Escambia County

For the first time ever, the Home Builders Association of West Florida, The Pensacola Association of Realtors and the Greater Pensacola Chamber will host a joint luncheon to hear Dr. Rick Harper present the State of Housing and Economic Study of Escambia County.











WHEN: March 14, 2018

WHERE: New World Landing

TIME: 11:00 a.m. - 1:00 p.m.



Dr. Harper's report will include the following elements:

-  Assessment of likely changes in external drivers of housing market performance, including interest rate policy, construction market prices, proposed regulatory changes in the lending sector, and other external factors.
-  Population growth patterns, including historical rate, comparisons to other geographies, and forecasts for the County by population age cohort.
-  Trends in employment by occupations and wage level.
-  In-bound and out-bound commuting patterns.
-  New housing units provided in the previous year, by location, type, and price.
-  Transaction patterns, including number of units sold, with mean and median price, by neighborhood, for all platted subdivisions in the County. Relevant patterns will be highlighted.
-  An evaluation of supply and demand based on forecasted growth patterns and affordability measures. This will include projections of housing market needs and likely growth.
-  An explanation and evaluation of affordable housing for particular socio-demographic segments of interest.
-  An analysis of the level and rate of change in home ownership.
-  A prioritized assessment of needed elements of the Escambia County housing market environment derived from interviews with key stakeholders, as well as accompanying economic analysis.



TOP BUILDER CHALLENGES FOR 2018

LABOR ACCESS AND BUILDING MATERIAL PRICES

The cost and availability of labor along with building material prices stand out as the two most significant problems builders expect to face in 2018, according to a recent survey of NAHB members.

A whopping 84% of respondents cited these two issues as major challenges this year, and not surprisingly, these were the top two concerns cited by builders in 2017.

As National Association of Home Builders (NAHB) economist Ashok Chaluvadi reported in a recent Eye on Housing blog post, labor and building material prices have become a growing concern for builders in recent years. In 2011, just 11% of builders rated labor as a significant problem while 33% reported building material prices as a major problem.

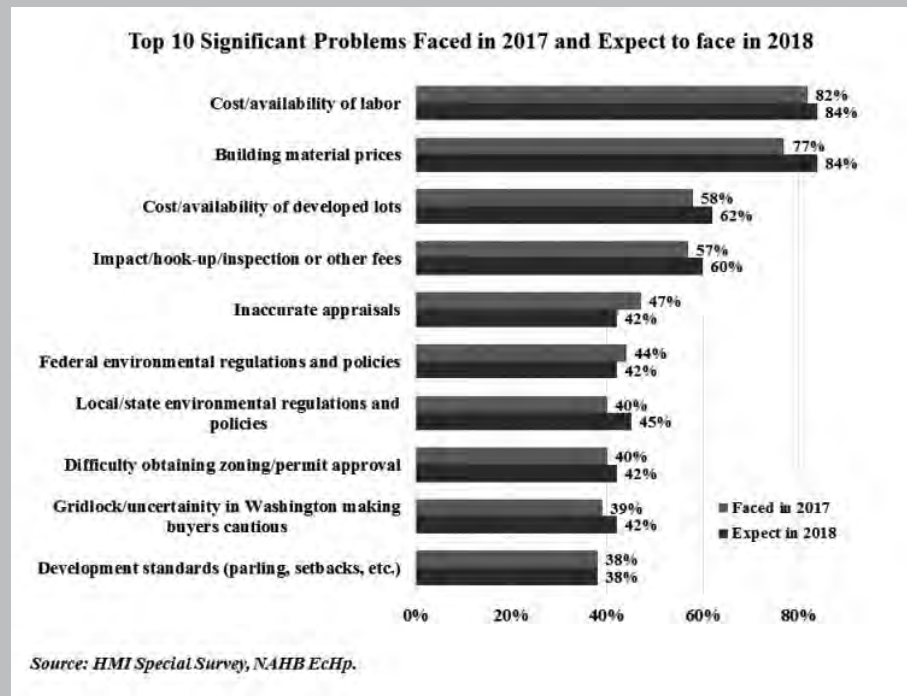
Rounding out the top five concerns for builders in 2018 are the cost/availability of developed lots (62%),

impact/hook-up/inspection or other fees (60%) and inaccurate appraisals (42%).

Two emerging issues for builders in the coming year are attempts to limit the mortgage interest deduction/other support for housing and high interest rates. Forty-nine percent of builders expect the issue relating to housing tax incentives to be a

problem in 2018 vs. 31% who said it was a problem in 2017. Although the share who expect high interest rates to be a concern this year is still relatively low at 18%, this is up strongly from the 4% who said it was a problem last year.

Courtesy of NAHBnow.com



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NEXT CORNERSTONE ISSUE

March 2018

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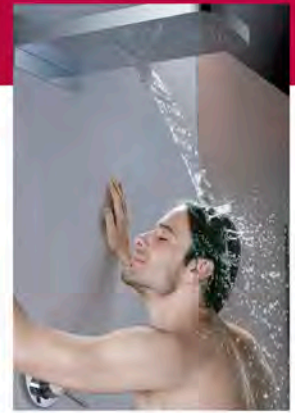


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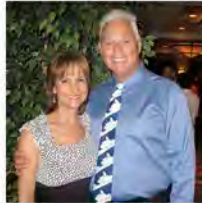
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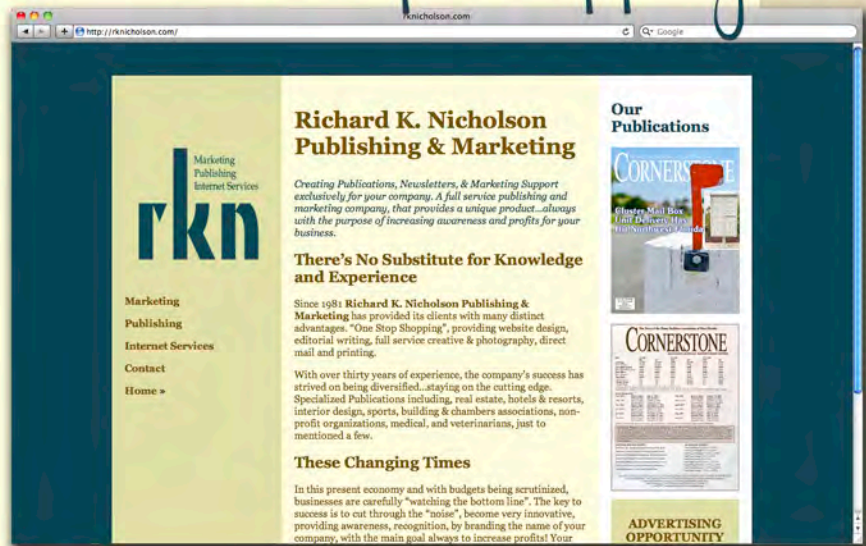
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TOP 10 REASONS TO DO BUSINESS WITH AN ACTIVE ASSOCIATE MEMBER

1. They support the industry at the local, state and national levels.
2. They volunteer time, talent and treasure to help the association accomplish its goals.

3. They recruit their colleagues & business contacts to become members.
4. They serve on committees and councils gaining valuable networking opportunity while helping to advance the association's mission.

7. They are a major source of non-dues revenue through sponsorships, advertising, etc.

8. As industry partners, they are a valuable resource for business and management tips.

9. They are heavily invested in your business success: You win, they win!

10. Why wouldn't you do business with a member?

5. By doing so, you increase the value proposition for all membership in our HBA.

6. They are strong supporters of local and state PACs and BUILD-PAC.



All Square Feet Are Not Created Equal

By BOB SCHULTZ, THE INTERNATIONAL NEW HOME SALES SPECIALISTS

When was the last time you heard someone asking about the price per yard of designer clothes, per ounce for elegant jewelry pieces, or comparing fine automobiles by the price per pound? How about this. A large latte, or Venti as it is called at Starbucks, equates to about \$25.00 per gallon, but people obviously don't determine its value based on that metric. Starbucks make it about an 'experience' that takes away the need to evaluate their commodity using a comparative scale based on a price-quantity benchmark.

So why is it then that most home buyers and many Realtors® use price per square foot to determine what they think a brand new home is worth? I suggest that it is because we let, if not encourage them to do just that. The fact is that price per square foot is the least accurate, and frankly, the most ridiculous way to determine the true value of a home. Professional appraisers cannot all agree on the exact formula, or even what to count as "square feet".

I profess that builders and their marketing and sales operations must think and function in the world of retail, not real estate. As Dr. Phil says, 'there is no reality - only perception'. Builders pay money for design, engineering, labor and materials for each and every square foot they build, regardless of whether it is air-conditioned or not. Some examples are garages and extra parking spaces, porches, decks and patios, volume space, unfinished storage or flex space and basements (unfinished or finished). I see far too many builders that short change themselves by following real estate concepts, advertising, and showing their so called square footage on brochures and the internet by using the typical, and candidly, trite method of showing only climate controlled space as the square footage. With this in mind, here are just a few of the substantial elements that ultimately determine a buyers 'perception' of value, and that are not considered

in the typical 'real estate' version of price per square foot ratios. These differentials, when included by builders in their base price, must be shown so that they are 'experienced' and understood by buyers, because they cost more for you to build and DO NOT increase the number of 'square feet' typically shown or discussed:

- **Location, Location, Location.** It's no secret (except to most buyers) that well located land costs more, and that additional cost is in your base price.

- **Amenities.** Anything outside the home and home-site that you pay for and buyers will enjoy. Fundamental things like sidewalks and street lights, underground utilities, internal parks, tot lots, tennis courts, community pools and the like.

- **Exterior.** Design features and components, i.e.: roof pitch and materials, soffits, downspouts and gutters, overhangs, windows and doors, garage doors, driveways, landscaping, door hardware, light fixtures, and more.

- **Kitchens.** Quality of cabinets, counter tops, flooring, appliances, faucets, lighting, and volume space.

- **Baths.** Flooring, lighting, fixtures and faucets, tile, mirrors, spa tubs, volume space.

- **In a two story home.** Design and quality of staircases.

- **Energy Efficiencies.** Everything beyond required code that you provide.

- **Brand Name.** Of all major or recognizable component parts.

- **Warranty**

What does all this mean?

When your customer doesn't 'experience' these extraordinary features and their accompanying benefits, and they are told to use the "typical" price per square foot factor, you lose, BIG TIME, every time.



BOB SCHULTZ

"The fact is that price per square foot is the least accurate, and frankly, the most ridiculous way to determine the true value of a home."

Just as Starbucks, who in my view are not in the coffee business, but rather in the "experience" business, have positioned the size of their drinks entirely differently from their competitors. Essentially, a coffee drink is a commonly available commodity, but Starbucks positions the size, or 'metric' so that small is TALL, medium is GRANDE and large is VENTI.

more All Square Feet, page 16

All Square Feet Are Not Created Equal

from page 15

By example, here is one of several recommendations of what to do on printed material and brochures. Let's say the name of the model is The Arbor:

The Arbor - *Approximately 3,650 total square feet; which includes ...*

• **2,012 sq. ft. of air conditioned living space; plus...** (note this 'standard' representation is bolded)

• 410 sq. ft. 2 Car Garage...

• 140 sq. ft. Deck...

• 1,088 sq. feet of finishable lower level (or basement) space (Note the use of the word finishable. If that space is finished, then it would be show as finishable)

3,650 total square feet

For ads and website. The Arbor, approximately 3,650 total square feet, including 2 car garage, deck and finishable basement (or lower) level.

Whatever the specifics are of what you are offering, the use of the word "approximate", and showing the typical and 'expected' climate controlled square footage in bold, makes this form of presentation truthful, accurate and ethically sound. This makes the customer at the very least aware of the idea that there are more square feet than they typically would experience using the standard real estate method. I know this concept at first may seem a little strange to some. I have had salespeople debate with me that this is not the way "appraisers" do it. My response is always the same. When was the last time you sold a home to an appraiser? They, and MLS, are in the real estate business.

Salespeople must learn to present and sell your homes from the 'outside in', not the inside out. I trust that this example does not apply to your sales team. But, having

viewed hundreds of mystery video shops, and seeing salespeople on-site before we begin training, it's not uncommon to hear something like this when starting a presentation with a customer. We have four floor plans, 1,250 to 1,900 square feet, from \$225,000 to around \$350,000. Then they go straight to the inside of the model.

You, like Starbucks, are in the retail business. Always remember and convey.... all square feet are not created equal.

To receive a complimentary script how to deflect the questions about how much is the 'price per square foot', and the outline of how to sell from the outside in, or with any questions or comments, contact me: Bob Schultz at Bob@i-NHSS.com

About Bob. Throughout North America, to India, Australia and New Zealand, Bob Schultz is globally acclaimed as the preeminent provider of new home sales,

marketing and profit management expertise, strategies, and resources. He was named by Builder magazine to its Power On 50 List as one of The 50 Most Influential People In Home Building.

The National Association of Home Builders designated him a "Legend of Residential Marketing" and awarded him its Life Time Achievement Award for Excellence in Education. He is the author of The Official Handbook for New Home Salespeople and Smart Selling Techniques.

Bob's Official New Home Sales Development System® is available worldwide, and The New Home Sales Specialist team provides its expertise through on-site programs, live interactive video conferences and online learning systems.

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"You, like Starbucks, are in the retail business. Always remember and convey ... all square feet are not created equal."

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2nd Tuesday of
each month

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Supreme Court WOTUS Ruling a Win for NAHB

The Supreme Court in late January ruled that litigation over the controversial 2015 definition of what constitutes “waters of the United States” (WOTUS) must be brought in to the federal district courts rather than circuit courts, a decision that will finally allow litigation over the rule to move forward.

In 2015, the Obama Administration issued a new definition of WOTUS when referring to that term in the Clean Water Act (CWA). That definition was immediately met with litigation around the country.

Unfortunately, the Environmental Protection Agency and U.S. Army Corps of Engineers erroneously believed that any litigation must be brought in the federal circuit (or appellate) courts, as opposed to the district (or trial) courts. This mistake forced litigants to file cases both in district court and circuit court.

Eventually, the circuit court cases were consolidated in the Sixth Circuit Court of Appeals, which ruled that it did have jurisdiction over the challenges to the 2015 WOTUS rule. The Sixth Circuit also issued a nationwide stay of the rule.

Numerous litigants, including NAHB, disagreed with the Sixth Circuit and took the question over jurisdiction to the U.S. Supreme Court. Today, that court unanimously agreed with NAHB’s position.

The government had asserted many arguments to support its belief that the Sixth Circuit had original jurisdiction over the cases challenging the rule. The Supreme Court, however, explained that the text of the CWA simply did not support any of the government’s arguments. Therefore, the litigation over the 2015 WOTUS rule must begin in the federal district courts.

Now that the court has answered this question, it will issue a “mandate” to the Sixth Circuit in February and the Sixth Circuit will eventually dismiss all of the circuit court cases. At the same time, the nationwide stay of the 2015 WOTUS rule will disappear.

However, the North Dakota District Court has enjoined the EPA from enforcing the rule in 13 states and that injunction remains in place. Therefore, in the next month, NAHB will focus on convincing a district court to issue a nationwide stay of the 2015 WOTUS rule.

This decision may lead to some confusion in the coming days and weeks. It’s conceivable that the 2015 rule could take effect in some states unless the courts, Congress or the agencies take action.

The Trump Administration continues its efforts to rescind the 2015 WOTUS rule and replace it with a new definition that will seek to provide needed clarity and narrow federal CWA authority.

In addition, both the House and Senate fiscal 2018 Interior Appropriations bills and the fiscal 2018 House Energy and Water Appropriations bill include language that would allow the EPA to withdraw the 2015 rule without subjecting this action to judicial review.

This would help the EPA quickly finalize the withdrawal of that rule, ending any uncertainty and allowing all parties to focus time and efforts on creating a new rule.

Courtesy of NAHBnow.com



Supreme Court to Hear About Frog that Never Was



The U.S. Supreme Court has agreed to review a case concerning whether the federal government may designate about 1,600 acres of private property in Louisiana as “unoccupied critical habitat” for the endangered Dusky Gopher Frog – a designation that translates into \$34 million in lost development value for the property’s owner.

Remarkably, the frog has not been seen in Louisiana for more than 50 years. Even more astonishing: The designated property does not contain the physical and biological features needed for the frog to survive.

However, both a federal district court and an appeals court upheld the Fish and Wildlife Service decision to designate the land, citing the service’s authority to do so under the Endangered Species Act.

The fundamental issue in the case concerns the proper interpretation and scope of this authority. “To our knowledge, the Service has not previously attempted to designate large areas of private property merely because they are theoretically restorable as habitat for a species,” said NAHB senior counsel Jeff Augello.

NAHB has been involved in the case since 2013, providing amicus support at both the Court of Appeals and Supreme Court. The association will continue its support now that the Court has agreed to hear the merits of this case.

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NAHB Launches 'Safety 365' Campaign

To support building industry professionals in obtaining the information and resources they need to help keep residential construction workers safe, NAHB created a new member and public awareness campaign called Safety 365.

The campaign is a joint effort of the NAHB Construction Safety Committee and Builders Mutual Insurance

Co., which has supported NAHB's workplace safety efforts since it worked with the association in 2006 to launch the SAFE awards.

Through posts on the NAHBNow blog, newsletter stories, tweets and other efforts, Safety 365 will highlight a different aspect of construction workplace safety each month and also promote safety off the job by offering materials to help keep home owners safe when they're working on DIY projects. It even has its own hashtag for social media posts: #safety365.

"This is a great opportunity to help our members focus on protecting the most important asset in our industry: The safety of our employees and those who come to our jobsites," said Construction Safety Committee Chair J. Gary Hill, a home builder and developer from Greensboro, N.C.

"Safety 365 is also a recruitment tool. Home building jobs are good jobs and we want to convey to young men and women considering various career paths to look closely at the trades as not only providing a secure future, but a safe one as well."

The campaign will align with

NAHB's vast array of educational resources, safety training materials, and news updates to help educate employers and workers on the various safety and health hazards the industry faces on the jobsite, and to better understand and comply with Occupational Safety and Health Administration requirements.

"Builders Mutual is thrilled to take part in such a critical initiative that looks to protect the health and well-being of the employees that build the American dream each and every day," said Mike Gerber, senior vice president and chief marketing officer for Builders Mutual. "If the building industry continues to work together to raise the awareness of safety on the job-site, then home builders and their employees are better positioned for long-term success."

Courtesy of NAHBnow.com

NAHB Commends Proposed Rule on Small Business Health Plans

NAHB in early January commended the Department of Labor (DOL) for issuing a proposed rule that is intended to expand access to health coverage by allowing more employers to form Small Business Health Plans, also known as Association Health Plans.

"NAHB has been a long-time proponent of Small Business Health Plans as a means to provide quality, cost-effective health care for our members across the nation," said NAHB First Vice Chairman Randy Noel. "Today's action by the DOL takes us an important step closer to implementing President Trump's executive order on health care and creating more options for small businesses to provide health benefits to their employees."

Small Business Health Plans will provide small businesses access to better and more affordable health care plans, allow them to negotiate lower costs for coverage, and level the playing field for smaller firms that want to help their workers and their families with their health care needs.

DOL's proposed rule would allow small businesses, including home building firms, to pool together through association health

plans to purchase health insurance. Under the proposed rule, a health plan could serve employers in a state, city, county, or a multi-state metro area, or it could serve all the businesses in a particular industry nationwide.

The proposal would also allow sole proprietorships to participate in a Small Business Health Plan. This would help more workers in the residential construction sector to gain access to affordable health coverage by allowing independent contractors to sign up for a health plan offered by an association.

"DOL's proposed rulemaking would put small businesses on an equal footing with large employers and unions when it comes to negotiating lower insurance rates and allow millions of uninsured Americans who are sole proprietors to receive quality health care," said Noel. "With small employers struggling to find affordable health care in the marketplace, NAHB is urging the DOL to move quickly to implement its proposed rule to make the expansion of association health plans a reality."

The proposed rule will be published in the Federal Register on Jan. 5 and be available for public comment for 60 days.

Courtesy of NAHBnow.com

WHAT MILLENNIAL HOME BUYERS WANT

It's all about location, location, location – with a dash or two of compromise – as millennials, the nation's largest demographic group at 90 million strong, is poised to dominate the home buying market.

Two market researchers – who happen to be millennials themselves – offered insight into their generation in Two Millennials Tell All, an education session offered Jan. 10 during the NAHB International Builders' Show in Orlando.

While generalities about this group may ring true: This generation prefers experiences over things and likes to “collect moments” rather than sets of good china place settings, there's actually much more diversity than many people realize, said Ali Wolf, manager of housing economics for California-based Meyers Research LLC.

For one thing, 43% of millennials aren't white, don't solidly identify as either “traditional” or “trailblazers” and, because



they now range in age from 17 to 37, have incomes across the economic spectrum.

And as NAHB Economics own research has indicated, a surprising majority of millennials aren't necessarily interested in urban spaces, but still want a single-family home with a yard. The challenge for home builders is to create a product that this generation wants but that can still afford as first-time buyers, the presenters said. In fact, 21 percent of millennials surveyed said they haven't bought a home yet because they can't afford one, period.

One solution: Understand that **millennials are willing to compromise**. They'll sacrifice some space in exchange for more luxurious finishes, like quartz countertops. Good design is important to this generation.

Flexible spaces are important as well. Make sure that the dining area is large enough for a large gathering of friends and family for Thanksgiving and other special dinners, but easily converted into a workspace or studio for the rest of the year.

Three/two still rules. A home with three bedrooms and two bathrooms is the most preferred, and 1,000 square feet is the minimum. That third bedroom can be a loft area or study nook if space is at a premium, however.

Attendees with a paid full registration to IBS also get a complimentary 1-year subscription to IBS Education on Demand and can download recording and handouts to Two Millennials Tell All: Deconstructing Today's First-Time Buyers & Their Design Preferences and other sessions. Visit BuildersShow.com/ondemand to learn more.

Courtesy of NAHBnow.com



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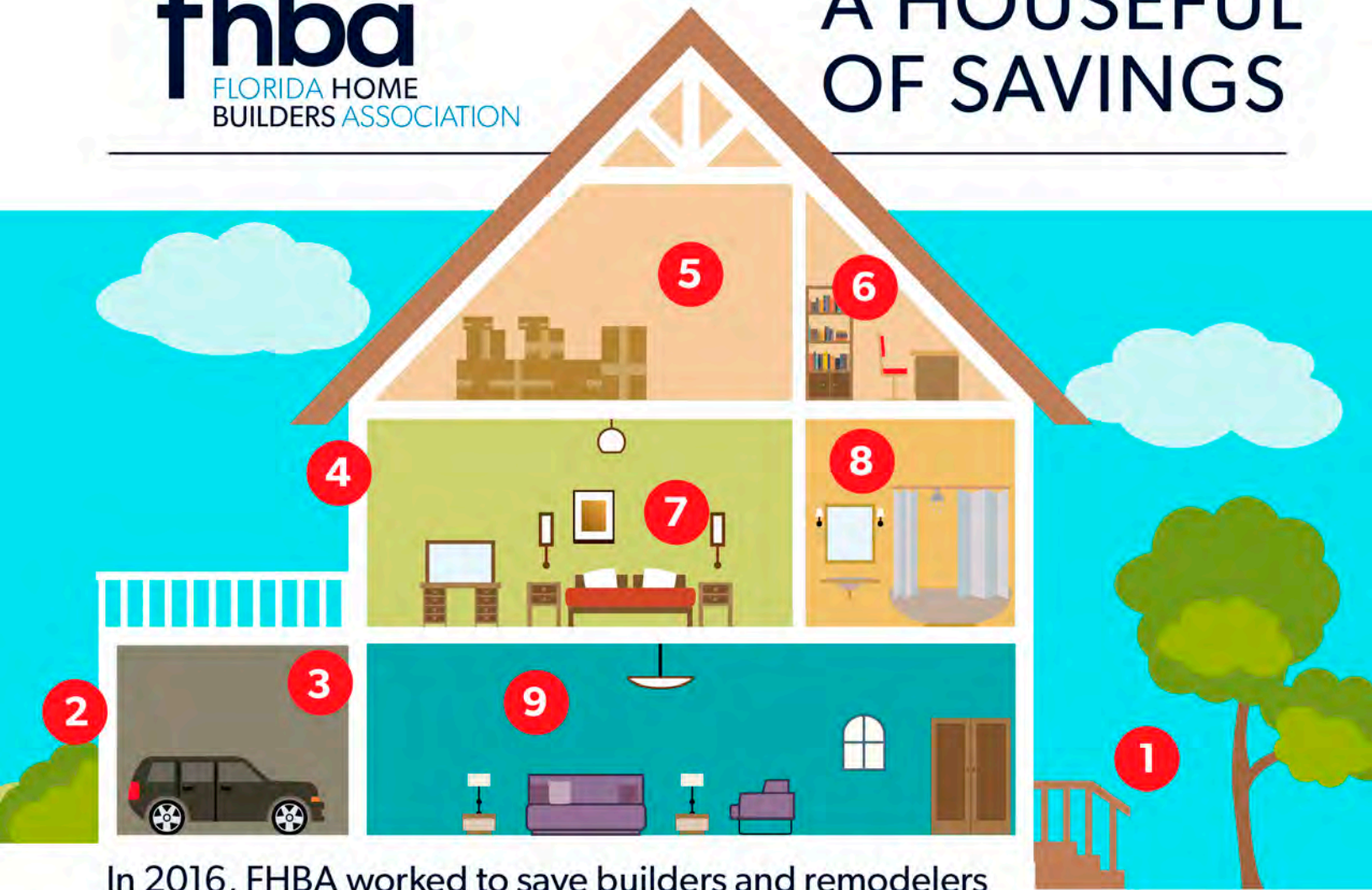
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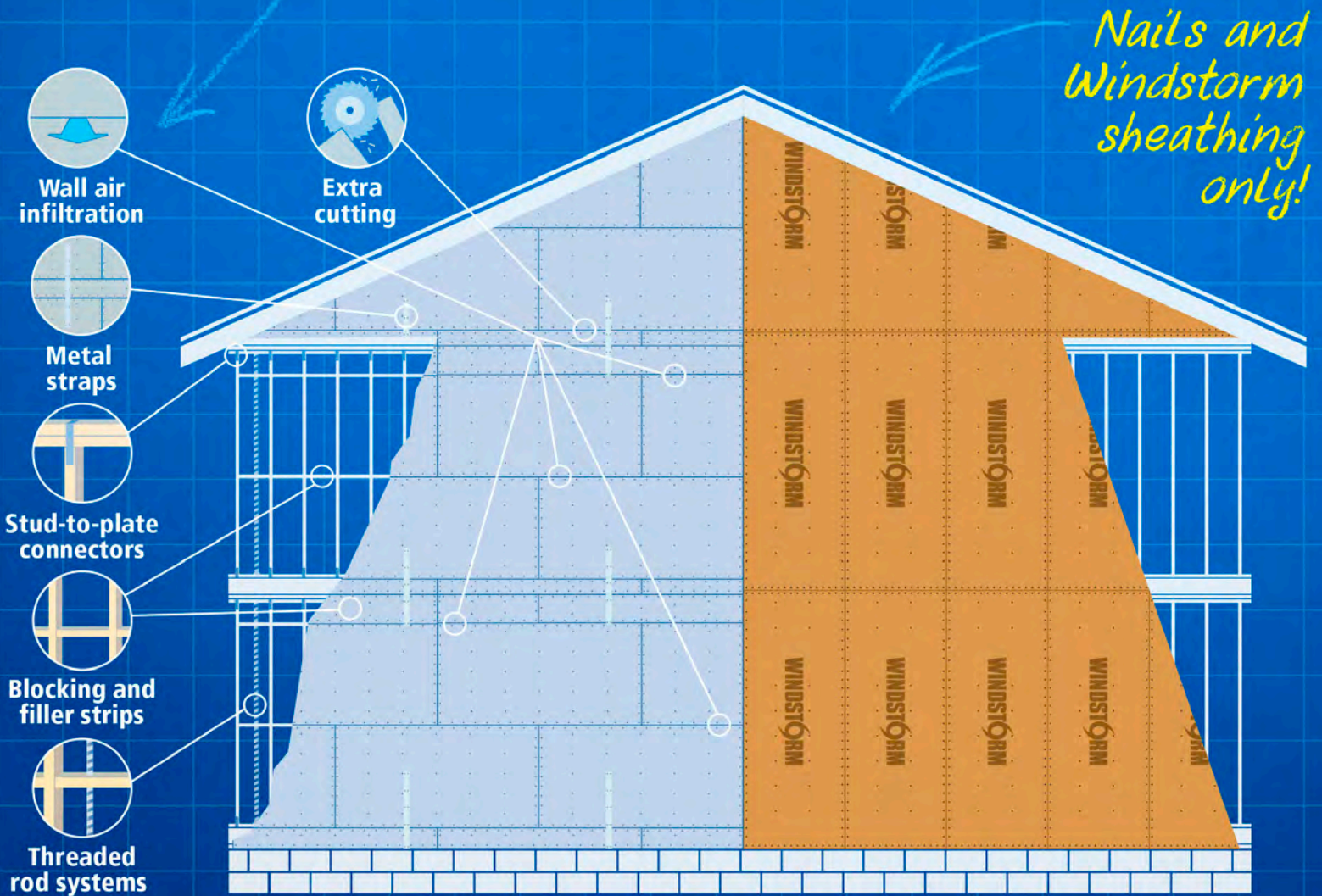
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