

The News of the Home Builders Association of West Florida

CORNERSTONE

May 2019

How to Attract Millennial Buyers

page 6

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June 8–16



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Cornerstone

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IMPACT FEES WOULD HURT SANTA ROSA COUNTY WORKING FAMILIES THE HARDEST

As Santa Rosa County Commissioners consider the best ways to deal with the challenges of population growth and infrastructure needs, they are encouraged to remember their mandate, as stated in the county's Comprehensive Plan, to "ensure the provision of safe, affordable and adequate housing for current and future residents." As well they should, commissioners can take pride in the county's 73.1 percent home ownership rate, which is well above the nearly identical rates for Florida (64.1 percent) and the nation (64.4 percent). But the fact is housing affordability crisis for working families exists today in Santa Rosa County and will only get worse if commissioners impose impact fees or restrict new home construction and development.

The median price of a home in Santa Rosa County in 2018 was \$247,600 – four times the county's median family income (\$60,652) and more than six times the average annual wage (\$37,834) for jobs in the county.

With the inventory of available homes down 57 percent since 2010, the under-supply will drive home prices even higher. When home prices rise, a segment of the population gets pushed to the sidelines. Sometimes, a higher down payment is an impossible hurdle. Quite often, would-be buyers fall victim to lenders' underwriting standards on how much of their monthly income can be devoted to housing costs.

When someone is paying more than 30 percent of their income for housing, they are considered "housing burdened" or "rent burdened" – a condition the respected James Madison Institute says can have devastating negative effects on a community. "Rising housing prices have a variety of consequences for quality of life," said the Institute's report entitled "Assessing the Effects of Local Impact Fees and Land-Use Regulations on Workforce Housing in Florida." The fallout includes overcrowded housing units, and forced reductions in spending for food, clothing, healthcare, and retirement savings.

All too often, the negative impact of rising house prices falls proportionately hardest on middle- to low-income individuals, like the 30.7 percent of Santa Rosa County residents who earn less than \$40,000 a year, which often includes such valued community servants as teachers, police, and firefighters. Imposing impact fees of even a modest amount in Santa Rosa County would not only be the proverbial "straw that broke the camel's back" for entry-level home buyers, it would stifle the existing home market as well. Because they are "substitutes" for new homes, existing homes will increase in price when builders of new homes up their prices to offset the new impact fee. In other words, all housing, not just new, will become more expensive.

You might think that renting would be an option for those who could not afford to buy a home. Not necessarily so. When the prices of new and existing homes increase, monthly rents increase as well. Nationally, the Joint Center for Housing Studies at Harvard University reported last year that from 1990 to 2016, the median rent rose 20 percent faster than the rate of inflation. In Santa Rosa County, average monthly rents broke the \$1,200 barrier in 2013 and now stand near \$1,300 – hardly a low-cost alternative to a single-family home.

While the focus of this message has been on working families, we should not forget that Santa Rosa County has a growing population of 50+ retirees projected to go from 65,122 today to 73,052 by 2023. In fact, seniors' housing preferences are very similar to working families: smaller homes, reasonably priced – a combination that can be quickly undermined by impact fees.

So while we can all agree that infrastructure needs to keep pace with population growth, we should also all be on the same page when it comes to the need for housing. Without it, the very foundation of Santa Rosa County's quality life begins to crumble.

President's Message



ALTON LISTER

"All too often, the negative impact of rising house prices falls proportionately hardest on middle- to low-income individuals"

HOW TO ATTRACT MILLENNIAL BUYERS

Millennials are the largest generation at approximately 79 million strong — surpassing baby boomers by about 4 million. Of those 79 million, 52% are contemplating homeownership, while 37% prefer the flexibility of renting.

So how can builders attract more millennials into purchasing a home?

An IBS education session entitled “The Big Move: How to Get Millennials Out of Rentals Into the Home Buying Market,” explored solutions to attracting millennials to the marketplace through affordable housing options and demographic-specific

marketing. Speakers included Alaina Money-Garman of Garman Homes & Fresh Paint by Garman Homes, Allison Paul of Lessard Design, and Ryan White of Dahlin Group Architecture Planning. (See *Generation-Breakdown Graph*)

BARRIERS TO HOMEOWNERSHIP

Today’s renter is 32 years old, single and educated, with an income of \$37,500; about 29% of that income is spent on rent.

Even though more than half would consider purchasing a home, millennials have been slow to enter the housing market, Paul noted, because of student loan debt, getting married later in life and a decrease in starter-home inventory. These factors have decreased the amount millennials are able to save and the type of home they



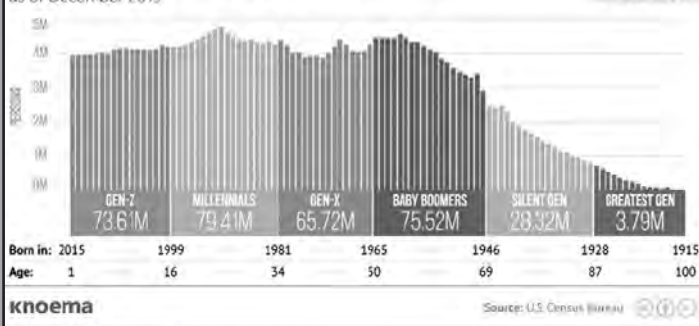
can afford to purchase, as many are often putting down less than 20%.

Paul explained: “When you look back at their student loan debts of \$37,000 [on average], that’s a down payment on a



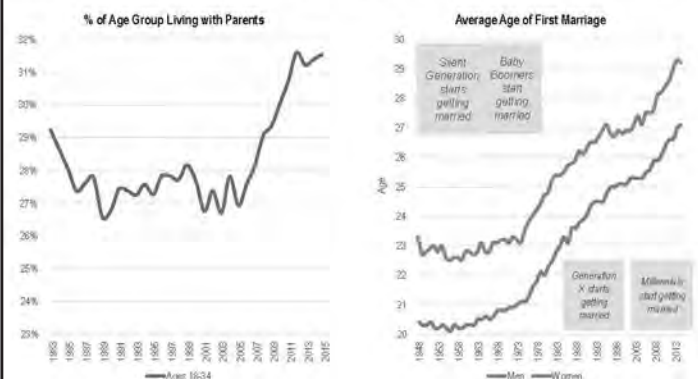
GENERATION-BREAKDOWN

Total US Population by Age and Generation as of December 2015



SMALLER HOUSEHOLDS

DELAYED ADULTHOOD DRIVES DELAYED HOUSEHOLD FORMATION



house. That's a brand-new car they could be buying. That's the cost of their wedding. They're making choices in life as to what's more important to them, and it's a very different perspective than the boomers or Gen Xers and even potentially the Gen Zers."

(See *Smaller-Households Graph*)

MEETING MILLENNIALS WHERE THEY ARE

More than one-third (35%) of older millennials (30-39 years old) are looking to buy a home in the next one to three years, White stated, in part because of rising rents. Major life events, such as getting married or having children, are also catalysts for a home search.

Examples of what millennials looking for, based on NAHB's What Home Buyers Really Want study, include:

- 82% want a garage (1, 2, or 3+ cars); 54% want access to public transportation.
- 40% want 3 bedrooms; 47% want 4 or 5.
- 57% want an exercise or media room (compared to 32% and 28% of boomers, respectively).
- 74% want a single-family detached home; only 15% want townhomes and 7% want condos.
- 76% want an open or partially open living-dining area.
- The median desired square footage for millennials is 1,905.

Builders are getting creative in how they design high-density neighborhoods to address the affordability issue while also pro-

viding the types of homes and amenities millennials desire. Paul and White shared several examples from their businesses, including adoption of modular construction to create developments.

Millennials also require a different marketing approach, which Money-Garman highlighted as part of the strategic plan behind Fresh Paint, a subdivision of Garman Homes specifically geared toward millennial consumers.

Fresh Paint's business model adopts a millennial mindset through five key components:

- Make it transparent and authentic
- Make it personal
- Make it simple
- Make it give back
- Make it memorable

For example, staging model homes with products millennial buyers can afford (think Target, World Market or even Pinterest hacks) creates an atmosphere in which they can better visualize themselves. Model storytelling (e.g., using staff members' personal photos throughout the model) also spotlights who Fresh Paint is as a company and adds an instant conversation starter to help get to know the buyers better and match them to the house they want.

LOOKING AHEAD

As millennials contemplate entering the home-buying market, 3% of Generation Z (ages 7-22) is already buying. Virtual reality goes a long way with this popula-

tion, with 45% wanting to tour a home virtually and 41% wanting to watch a recorded video of a walkthrough. Built-in furniture is a potential approach to attract this demographic, with its preference toward thoughtful use of space rather than increased square footage. About one-third (34%) of Generation Z is looking for a partially furnished home, while 19% want a fully furnished home.

Looking for an outside-the-box approach to tours? Consider creating an AirBnB-type model that prospective owners can "try on" for a night — or even a weekend — to see how each space feels.

"It requires a totally different silo to our business — someday I will get to do it," Money-Garman noted. "If you can do it now, go ahead and do it. I think it's a great way to connect with the buyer on a really cool level."

Courtesy of NAHBnow.com

NEXT CORNERSTONE ISSUE

June 2019

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Meets Monthly

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Meets Monthly

Membership Committee
Meets Monthly
2nd Tuesday of each month

Board of Directors
Meets Monthly
3rd Tuesday of each month



In 2018, FHBA worked to save builders and remodelers
over \$7,000*



1. Guard Measurement = \$1,500
Reduces horizontal distance from 36 to 24 inches



4. Stucco = \$1,100
Reduced time between coats and curing from seven days per ASTM 926



7. Custom Doors = \$500
Provides criteria for custom one-of-a-kind doors (FBC-B & R)



2. Fire Separation = \$2,500
Reverts to three feet and adds options to fire rating soffits



5. Air Leakage = \$175
Provides option for testing in multi-family as single and modified 5 ACH to 7 ACH



8. Shower Liner = \$75
Reinstates exception to shower liner on SOG (FBC-R & P)



3. Duct Penetration Garage = \$300
Retained provisions allowing use of duct board



6. Mechanical Ventilation = \$75
Reduced from 5 ACH to less than 3 ACH



9. Door Swing = \$750
Revisions permitting doors to outswing over egress, two risers, and an exception for landings

FHBA also stopped issues from passing, which resulted in additional builder savings:
Flood Provisions = \$10,000, Irrigation = \$1,000, and Water Saving Fixtures = \$250.

*Approximate cost savings per house/lot impacted.

DOUG WENZEL ACHIEVES NATIONAL ALL-TIME BIG SPIKE DESIGNATION

A longtime Florida sales representative for a national new home warranty company, Doug Wenzel has been honored as one of the leading membership recruiters in the history of the National Association of Home Builders (NAHB).

The official designation of "All-Time Big Spike" signifies his incredible commitment to the growth of local HBAs in Florida, the Florida Home Builders Association (FHBA), and NAHB. While the Jacksonville, FL-based Northeast Florida BA is considered his "home" association, Wenzel has recruited over 1,500 new members into a dozen local HBAs around the state.

"Doug has been a tremendous part of our HBA," said HBA of West Florida Executive Director David Peaden. "He has been



active in countless membership drives and has provided key leadership on our HBA councils and committees. It is amazing

how much he does from living on the other side of the state. I truly appreciate what he does for our association."

Professionally, Wenzel has strengthened the Florida home building industry by enlisting builder participation in a 30-year-old warranty program that protects the new-home investments of thousands of Florida residents. "Anyone who derives their livelihood from the home building industry needs to support their local, state, and national builders association," says Wenzel. "HBAs work hard to create an economic and regulatory environment in which members are successful and consumers are well-protected. Membership dues are an investment in the future of our industry and that of every builder and associate who joins."

The All-Time Big Spike designation is held by less than 25 NAHB members nationwide.

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HBA Participates in SkillsUSA

Pensacola recently hosted SkillsUSA, a national membership association serving high school, college and middle school students who are preparing for careers in trade, technical and skilled service occupations, including health occupations, and for further education. Once again, HBA Past President Taylor Longsworth, HBA Past 2nd Vice President John Hattaway and HBA Past

President Shelby Johnson, Carly Richards and Murphy Allen of Sun Farm Energy volunteered to work with the thousands of kids who participated in SkillsUSA at the Pensacola Bay Center.

SkillsUSA empowers its members to become world-class workers, leaders and responsible American citizens. SkillsUSA improves the quality of our nation's future skilled workforce through the development of Framework skills that include personal, workplace and technical skills grounded in academics.



Taylor Longsworth of East Hill Building and Design with John Hattaway of Hattaway Home Designs with students competing in the nail driving competition.



Shelby Johnson of Johnson Construction with students who learned to operate a backhoe.



Carly Richards and Murphy Allen, of Sun Farm Energy, gave students useful information on solar panels and hosted experiments during SkillsUSA at the Pensacola Bay Center.



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RECAP: HBA Spring Golf Classic

It was certainly a beautiful day for golf at HBA member Scenic Hills Country Club. A special thank you to the staff at Scenic Hills for making this all possible. Golf Pro Rick Gorman and his team do an amazing job for the HBA.

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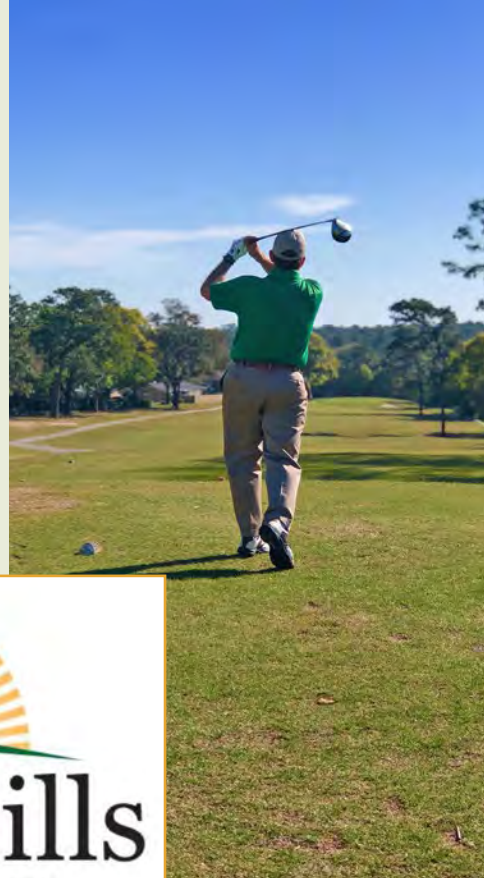
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David Redmond • Nate Fin
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2nd Place Team / Score 56

Mike Ley • Isaac Joyner
Matthew Peterson • Shane Burkett





RECAP: HBA Spring Golf Classic

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H.B.A.
HOME BUILDERS ASSOCIATION OF WEST FLORIDA

HBA CONSTRUCTION ACADEMY STUDENTS AT PINE FOREST HIGH BUILD PICNIC TABLES TO HELP THE HOMELESS

Eppe Christian Center is excited about receiving ten picnic tables thanks to the collaboration of the Home Builders Association of West Florida (HBA) and its sponsored HBA Construction Trades Academy at Pine Forest High School.

HBA Executive Director David Peaden said Eppe Christian Center's founder and pastor Sylvia Tisdale has done so much good in the community that he wanted to help. What better way than incorporating the HBA's Construction Trades Academy at Pine Forest High School where students get hands on experience in building construction. With perfect timing, Pine Forest Instructor Brian Metcalf texted Peaden a photo of a picnic table the students recently completed. Peaden happened to be with Pastor Tisdale and showed her a photo of the table. Asked if she could use picnic tables for her outreach program, Tisdale lit up and said, "Yes!" When Peaden inquired how many tables, Tisdale quickly said, "10!" Peaden said back to her in surprise, "10?" Tisdale quipped with a smile and said, "Well, you have to aim high!"

"We serve the homeless five days a week and we've never had a comfortable place where someone can just simply sit down and enjoy a meal," said Tisdale, who operates a non- denominational church on Pace Blvd. "I am so grateful to the Home Builders Association and to young people at Pine Forest High School for this gift. I will always be grateful."



Pastor Sylvia Tisdale sits down on a new picnic table that was built by HBA Construction Academy Students at Pine Forest High School.

The HBA's Construction Trades Academy focuses on broad, transferable skills, and stresses the understanding of all aspects of the building construction industry. The academy utilizes the National Center for Construction Education and Research curriculum to prepare students to enter a construction career path. "I am very pleased that the students could work on a project that will benefit the homeless in our community," said Metcalf. "Not only did they learn a skillset in building the picnic tables, but their work will go to good use in the community."

Builders FirstSource donated the materials for the picnic tables. "I'm honored and pleased our company could be a part of this project," said Builders FirstSource Area Vice President Brian Richardson. "I've seen the finished product and the students did a really nice job."



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.
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.
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?

4 IDEAS TO TURN YOUR SALES CENTER INTO A TOP SALES TOOL

As consumers become savvier in their home-buying decisions and research, they are also demanding more than viewing a floor plan and community map.

Enter sales centers. They certainly are not what they used to be. The modern sales center has emerged as one of the most important marketing tools in a builder's arsenal.

A sales center must serve many purposes. First, it's the point of entry where your buyers get the important first impression of your new community. Second, it must provide your sales team with the opportunity to interact with and engage buyers, and provide useful information that will keep the conversation active.

Investing in a well thought-out design center can help you get the most from your sales office investment and close deals. Consider these four ideas when planning and designing your next sales center to make it pay off in the end:

1. Optimize space with a good layout. When designing your sales center, identify the location and carefully prepare a floor plan to maximize the space. Work with a designer to lay out the most effective and usable traffic pattern to ensure you aren't creating bottlenecks or challenges for your sales staff to engage with the buyer. The traffic pattern should also present information in the sequence that makes sense for your community. Think about what you want to showcase and when that flows with a potential buyer's journey.

2. Connect to buyers with design and branding. Sophisticated buyers and renters expect an experience when they

walk through the door, so it's critical that you give them one. Understanding how color, fabric or visual elements are perceived by your demographic is important. The colors, styles and presentation you use should be correct for the age and income range of your potential buyers.

People have an amazing emotional connection with style. A stylish sales center can set the stage and also drive a customer's experience to go beyond simply speaking to a sales or leasing agent or viewing materials.

3. Don't forget the structural components. Identify where the windows, doors, wall outlets and fixtures will be located to design graphics and displays and avoid conflict with the build out. This plan also makes it easy to build out the required space for thermostats, electrical outlets and vents. Your sales team will need adequate and comfortable workspaces as well. Thinking of these components ahead of time can save you a lot of work and money in the end.

4. Use technology to engage and connect. One of the biggest shifts in sales centers in the last decade has been the introduction of new technology. Interactive kiosks, for example, appeal to millennials in your sales center so they can check out elevations, participate in a model tour, or flip through a portfolio book with high-quality renderings and floor plans. Combining visually compelling content with various elements of interactivity is key to connecting to this important audience.

A modern sales center should reflect your brand, help prospective buyers visualize how they will live in and enjoy their new home, and provide a comfortable experience for them in the discovery process.

Stay one step ahead with your marketing strategies, and make a sales center part of your plan for 2019.

Courtesy of NAHBnow.com

This article is adapted from a story in the January/February 2019 issue of Sales + Marketing Ideas, available through iTunes and Google Play. Jonathan Wilhelm currently serves as chief digital officer for Marketshare, Inc., helping builders with all things marketing for more than 35 years.

**NEXT
CORNERSTONE
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Will 5G Replace the Network Wires in My House?

The fifth generation of cell technologies (aka, “5G”) is quickly gaining momentum as the number of 5G test markets across the country grows. But exactly what is 5G?

Frequencies used by 5G are much faster than earlier generations, and offer very low latency (any kind of delay in transmitting or processing). “For example, with 5G you could download a 4K movie to your phone in about 30 seconds,”

says John Penney, executive vice president of business development at 20th Century Fox.

But will 5G replace the cables, wires, router and modem in your home? According to some experts, the answer is: Potentially. But in most cases, it’s not a good idea ... at least, not yet.

One of the main issues (for now) is that the distances those signals can travel are relatively short, which is problematic for cell companies. Eric Bodley of the firm Future Ready Solutions explains one possible scenario: “[Service providers] are looking at taking this down to a micro-lo-



calization level, essentially putting a little cellular hotspot in your house. But that makes me a little nervous.”

Bodley says some developers claim there will no longer be a need for local area networks (LANs). Instead, everything would route through cellular.

“That could create issues if every home turns into its own little cell tower communicating with several other little towers in the surrounding neighborhood,” Bodley said. “That proposition presents more concerns about security than a more traditional LAN.”

Still, the appeal of 5G is growing because it offers significant upside, especially in areas of the country where there is currently poor (or no) internet service.

“In general, 5G has about twice the efficiency of alternative networks,” Penney said. “So you can get twice as many channels for the same frequency swath. That’s amazing, especially for folks who don’t have a quality broadband service.”

Members looking for more information about advancements in residential technology can log onto nahb.org to access

NAHB’s BizTools where they will find a section dedicated to Technology Solutions.

Courtesy of NAHBnow.com

This guest post is from Ed Wenck, content director for CEDIA, the industry association representing those professionals who manufacture, design and integrate goods and services for the connected home.

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Cost of Doing Business Survey Features Interesting Results

Nobody likes to operate in a vacuum, but in a competitive industry such as home building, it can be very difficult to determine how your business measures up to your competitors.

Industry benchmarks on profit margins, asset levels and equity positions are important because they allow businesses to compare their performance to their peers, and that can be extremely helpful in identifying areas for improvement and increasing efficiencies.

This is the reason NAHB periodically conducts The Cost of Doing Business Study — a nationwide survey of single-family home building companies designed to produce profitability benchmarks for the industry.

In an analysis in this Eye on Housing blog post, NAHB economist Rose Quint breaks down the numbers from the 2019 edition of the study, which show that builders' profits margins have continued to slowly increase and reach their highest point since 2006.

On average, builders reported \$16.4 million in revenue for fiscal year 2017, of which \$13.3 million (81%) was spent on cost of sales (land costs, direct and indirect construction costs) and another \$1.9 million (11.4%) on operating expenses (finance, sales and marketing, general and administrative expenses, and owner compensation).



Income Statement Summary (All Builders)

	Average (in \$1,000s)	% of Revenue
Total Revenue	\$16,429	100%
Cost of Sales	\$13,309	81.0
Gross Profit	\$3,120	19.0
Operating Expenses	\$1,879	11.4
Net Profit	\$1,241	7.6



As a result, the industry average gross profit margin for 2017 was 19%, while the average net profit margin reached 7.6%.

The Cost of Doing Business Study is a unique resource that details financial performance according to builder type and size, as well as industry-wide averages using these key indicators:

- Gross margin
- Net profit
- Cost of sales
- Operating expenses
- Financial ratios

The Cost of Doing Business Study is available for purchase (\$149.95 retail/\$79.95 for NAHB members) at BuilderBooks.com or by calling 800-223-2665.

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In construction, a spike is a steel object that is essential to making a building strong. As in construction, the HBA of West Florida sees a Spike as someone that works to keep our association strong. Spikes work on the recruitment and retention of members in addition to keeping members active with the association. Anyone is eligible for Spike status. On Spike credit is awarded for each new member recruited and an additional credit is awarded for that new member's renewal on or before their anniversary date. If you help to retain a member, you are eligible to receive a half point for each member.

Spike Club Levels

Spike Candidate	1-5 credits
Blue Spike	6-24
Life Spike	25-49
Green Spike	50-99
Red Spike	100-149
Royal Spike	150-249
Super Spike	250-499
Statesman Spike	500-999
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Spike Club Members and their credits as of 03/31/2019.

Statesman Spike 500 Credits

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Jack McCombs	294.5

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