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Home Builders/Remodelers Association of Mahoning Valley, Ohio

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## Report from the **President**

ROB REILLY

### Why we are members of the HBA of Mahoning Valley

We are members of this local association because first and foremost, they are the government lobbying group that represents OUR industry! Nobody else has our backs like our local HBA, The Ohio Home Builders Association or the National Association of Home Builders!

Did you know that when you pay your dues to the HBA of Mahoning Valley, it also includes your state and national dues? Your local HBA pays out just over 45% of your dues so you can be a member of the state and national organizations. Let's face it, State and Federal Government are taking over our lives and our businesses. They are mandating laws for "uniformity" and taking away the decision making powers on a local level. That is why you belong to all three associations.

We work very closely with our local building inspection departments to ensure that the code is being enforced fairly. We work with other officials to discuss the ramifications of strict zoning laws and how it affects our business. It is our job to make sure that you are represented locally here in the Mahoning Valley. Your HBA has a role that supports your business here locally.

Today is more important than ever before to belong to the HBA. Required Residential Sprinklers have become a nationally mandated law. We are not against saving lives, but Smoke Detectors are required by law for all new construction homes and this device has been proven to save lives. Our industry doesn't need the extra cost burden (for every \$1000 increase in the price of a home, 256,000 potential buyers are eliminated from buying that house).

OHBA is ever present in discussions with the RCAC and BBS to keep this portion of the code out of the next adopted code changes in 2011. According to Vince Squillace our State EO "sprinklers are a dead issue in Ohio." He and his staff will continue to stay on top of this and keep it out of the Ohio Building code. Locally, we have been keeping in touch with our local building officials to make sure their department will not adopt the code without the State adopting it first.

Lead Safe Work Practices is now required and in effect. This is a law that was passed many many many moons ago. Congress finally told the EPA to radically enforce the law – so they did. A victory by the NAHB in the regulation arena has gotten the US EPA to recognize the fact that they did not move swiftly enough to approve the appropriate number of trainers to handle 250,000 remodelers nationwide. The regulation is still in place, and you have to adhere to safe practices, but they are allowing individuals to still take the course to become certified without any penalties. NAHB is still working diligently to put the "Opt-Out Clause" back in for contractors to use. Here locally, we are still running classes through our County Lead Department (call Josh to register).

As you can see, your HBA is vitally important to all facets of our industry. Without the HBA, we could not run a profitable business or a business at all. Apparently the government believes that when we build a home for \$300,000 our profit is \$300,000 and we can afford to pass these increases on to our customers. Your HBA has weathered this latest storm and our doors are still open for business. Your dues money go to good use! We are hard at work for you! We thank you for being with us and continually renewing each and every year!



## Notes from the **Executive Director**

JOSH AIKENS

# Always supporting our members!

The past couple of months have been a pretty exciting time here at the HBA! The future looks promising and will be just as great! It is my hope that you are taking advantage of the benefits that your HBA offers you on a daily basis.

You may look at our events and say "I'll make the next one" or "sheesh, another event." But what you are missing out on is the networking of meeting other industry professionals and the exchange of ideas that take place in these arenas. Today's business environment is not just affecting you - it is affecting the entire industry. Congratulations to the ones that have made it! That because you survived one of the worst economic recessions our country and the Mahoning Valley has ever faced! The HBA gives you the opportunity to meet new clients that you will want to do business with! This economy has bonded us together like no other time in our history. Members of the HBA not only build homes – we build long lasting relationships that starts as business, but turns into friendship.

Greenwood Chevrolet (member company) hosted a luncheon for our members to stop by their showroom to see the various offers that Greenwood makes exclusively to business owners to make your life easier when buying and servicing your vehicles (especially when your vehicle is the office). The Ice House Inn "member getaway" was a free event for our members to get to know each other in another setting away from the job site. Here is a conversation that I overheard (and then became a participant):

Member #1: "My workers comp rates are through the roof!"

Member #2: "Have you talked with Josh about signing up with CCI? I save \$3000 a half. The savings definitely more than pays for my membership."

Member #1: "JOSH! – how do I get in the group?!?!?"

Move beyond how cheesy that conversation sounded (it's the cliff notes version). Think about the competitive advantage you can enjoy by having a simple conversation like this by attending our events. Our activities are well attended, but of course with everything else – it could be better. The more people that attend, the better the membership experience you will have. We are here to provide VALUE to for your membership.

Here is another example of how things work at the HBA. A member called me to tell me that OSHA is bothering him (2 visits in 4 days on 2 different sites – yep, I consider that bothering him). This member had more questions than I could answer – I pointed him in a direction that could help. That is also how the OSHA seminar on August 10 became a reality (see flyer insert). This will be specific to Residential Construction Sites. It's also everything that you need to know, one stop shop seminar.

A plumber was recently "nailed" by OSHA. He was "lost" and didn't know what to expect or bring to the hearing. He called me for advice. I talked him through what would go on, then I pointed him in a more advanced direction. One phone call later to the National Safety Council in Youngstown he felt much better about what to expect and felt very good about his chances and being prepared. He recently renewed his dues, so hopefully any reduction was more than what his dues were and this one phone call he made paid off dramatically for his company.

Don't forget that we offer additional money saving benefits that offer the industry's best to save you on your health insurance, business & auto insurance, workers comp, fuel, vehicle, 401k and mobile communications. Use the HBA Office to run your business better and increase your profits. That is why we are here – to serve YOU, our members.



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**Business Card (2”w x 3 ½”h)**  
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# BUILD-PAC: Representing You!

Your contribution to Build-PAC combined with hundreds of others from builders, remodelers, land developers and other PAC Members involved in the residential construction industry across the state provides the necessary financial clout to make your voice heard in the state capital.

Your donation allows us to continue our exemplary track record of supporting candidates who support the housing construction, real estate, and land development industry and care about the issues that are most important to you.

We identify and support candidates with a demonstrated commitment to:

- Working with our industry.
- Help decrease government regulations.
- Keep taxes low.
- Work for reasonable environmental policies.
- Protect the private home building industry.
- Improve housing affordability. Support property rights and true smart growth planning.

To ensure the continuing success of this industry effort all who make a living in this business must participate in our PACs. Since its inception 25 years ago, Build-PAC has raised hundreds of thousands of dollars for housing friendly candidates.

Make BUILD-PAC a Priority! Donate Today! Call the HBA to find out how!

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## Safety

### Distracted Driving Highlighted in National Safety Month, Free Safety Materials Available

National Safety Month has passed but the National Safety Council (NSC) is offering free educational materials on topics such as distracted driving, ladder safety, proper lifting and slips, trips and falls — all safety issues that affect residential construction workers.

The council's safety posters, injury prevention tip sheets, weekly webinars and more are designed to help reduce common causes of injury and death at home and in the workplace.

Safe driving is important for construction workers — who often drive vehicles as part of their work duties. NAHB's "Residential Construction Industry Fatalities, 2003-2006" study reported that 14% of home building industry deaths were due to transportation accidents. To view the full study, visit [www.nahb.org/fatalitystudy](http://www.nahb.org/fatalitystudy).

An estimated 28% of all traffic crashes are caused by drivers using cell phones and texting, according to the NSC.

To reduce these crashes, the "Acting on Safety" poster recommends that drivers:

- Silence their cell phone before beginning to drive
- Set their voicemail to indicate that they are driving and cannot take calls
- Stop texting while driving
- Pull over and park if a call is absolutely necessary
- Encourage friends and families to leave phones out of reach while driving

For companies that do not have a cell phone use policy, the NSC also has a free Cell Phone Policy Kit for employers. It includes ready-to-use materials to help show employers why a cell phone policy is necessary as well as tools that can help them communicate about crash risks and build employee buy-in.

NAHB resources include onsite training, videos and publications to help employers and employees educate themselves on proper safety precautions while participating in any potentially dangerous activities both on and off the job.

The HBA of Mahoning Valley uses HBA member company: National Safety Council Northern Ohio Chapter located in Youngstown. Please contact Executive Director Larry Kingston at 330-747-8657 for any safety related questions, training and information.



An NAHB safety study reports that 14% of home building industry deaths were due to transportation accidents.

# You Tell Two Friends and I'll Tell Two Friends And So On...And So On...

## The conversation goes something like this...

*"I just had some work done in my house"*

*"Really – what did you have done?"*

*"I put in a new kitchen counter and backsplash over my stove."*

*"I've been wanting to have a new counter put in. Who did you use?"*

*"The guys at XYZ Renovations. You have to give them a call. They were terrific"*

## Just like that, you have a new customer.

**W**ant more new customers? What about industry networking? It can be very valuable to develop working relationships with businesses that compliment your own to help generate business. Your roofing company has a great relationship with Joe The Window Guy and you would both highly recommend each other to customers.

The problem is, businesses who rely simply on their customers and contacts to sing their praises to their friends are surely selling themselves short. While the testimonials and referrals are welcomed, they are limited in reach.

Think of it this way; for every 1,000 people who hear about your business, it may translate into 10 customers. The same applies to your word of mouth testimonials; for every 100 who might hear about you, perhaps 1 will actually use your services.

In order to build and sustain a business, it is imperative to set aside a portion of your budget for marketing to reach a bigger audience.

One of the biggest mistakes I see businesses make is that they seldom put aside enough money to broadly market their business to consumers. They use all their available cash to purchase or rent their space, set up their phones, hire staff, and then open their doors and wait. And wait. There's no money left for brochures, direct mail, TV or radio. They get a few customers through their contacts but that's it. Either they remain a small Mom & Pop operation, or they go out of business entirely.

For those businesses that do set aside funds, the other common mistake I see is not spending the money effectively. The minute the new business phone is turned on, calls from media sales representatives begin. They will offer terrific deals for TV commercials, including free production and 25 spots per week. The problem is, the "free" commercial will be a cookie-cutter version of a similar one done by their competitor three years ago and the 25 spots per week will mostly air after midnight or during re-broadcasts of Barney (even though your audience is women 25-49 who watch Oprah!). Similarly, radio reps may sell time to a business that needs to "show" their product, or newspapers may sell ad space that gets buried in the travel pages.

Bottom line is, it's a mistake to think you can effectively market your business on your own. Just as you are a professional at what you do, there are people who are professionals in advertising and marketing that can offer sound advice, and work on your behalf, to reach the largest number of your target audience.

In fact, your marketing professional may even suggest that you use your new kitchen counter customer to speak on your behalf in your next commercial. Now that's maximizing your positive word of mouth!



*Cynthia Rogers is the owner of Rogers Consulting - Marketing & Public Relations. She has over 20 years experience in the advertising and public relations industry, including being named Canadian Advertising Producer of the Year in 1997. To learn more about using Public Relations to promote your business contact Cynthia at [rogersconsulting@yahoo.com](mailto:rogersconsulting@yahoo.com) or call 330-559-4966.*

# Legislative Year End Review

OHBA is pleased to report to you some of the significant accomplishments during the past year. As you will see the arena of interests covers the entire construction and land development spectrum. OHBA works hard advocating on your behalf. Listed below are some of the more important accomplishments last year:

- Consumer Sales Practice Act (CSPA) Reform
  - Supported legislation to exempt homebuilders from the CSPA
  - Continuing discussions with the Attorney General and Legislators on the need for relief from particularly harsh provisions of the CSPA
- OHBA ensures deliberative code review process
  - Encouraged the Residential Construction Advisory Committee (RCAC) to approve a set of new procedures it now follows as the committee performs its duties under the law.
- OHBA Language in House Bill 1 Strengthens RCAC
  - Requires RCAC to submit a written recommendation evidencing its consideration of the 4 prong analysis set out in the Ohio Revised Code.
  - Added language to the statute instructing the RCAC to recommend to the Board of Building Standards (BBS) a building code for residential buildings that it may model on a residential building code a national model code organization issues.
- OHBA submits comments on RCAC Draft Residential Code of Ohio (RCO)
  - Commended the committee's work in removing the mandated sprinkler provisions
  - Cautioned the committee going forward with the 2009 IECC without first addressing how the code discriminates against various energy saving methods such as solar and geothermal technology.
- OHBA Testifies at BBS on the adoption of the new 2009 Ohio Building Code
- Board of Building Standards appointments and commercial code delay
- Monitoring the progress of the US EPA Lead Paint Rules
- OEPA Water Quality Rules/Wetlands Mitigation
- Great Lakes Compact Advisory Board
- Statewide Electric Line Extension Rules Clarified
- Discussions with Columbia Gas on Gas Line Extension Policy
- OHBA Involved in visitability discussions
- Preserving BWC Group Rating
- Sewage System Rules
- Regulatory Reform Legislation
- Environmental Rules Appeals Commission
- Environmental Justice Legislation
- Ohio Civil Rights Commission
- Carbon Monoxide Detector Bill
- OUPS Legislation
- Home Improvement Tax Credit
- Property Valuation
- Tax Decoupling
- Grants for Graduates Program
- Home Inspector Bill
- Construction Debris Fees
- New OHFA Tax Credit Program for Homebuyers



This list would be too long to go into great detail in this publication. For further explanation of any of these items, call Josh at the HBA Office for more information.

# EPA Responds Favorably to NAHB Concerns on Lead Rule, Though Questions Remain

**N**AHB continues to seek clarification on a June 18 memo from the U.S. Environmental Protection Agency (EPA) delaying the enforcement of training certification requirements under the Lead: Renovation, Repair, and Painting rule until Oct. 1.

The issue is that even though contractors won't be fined or prosecuted for not having certification, the EPA's lead-safe work practices requirement still stands for remodelers working in pre-1978 homes and they will be subject to penalties if they are found not to be following them.

For certified firms and certified renovators, the delayed deadline does not change anything.

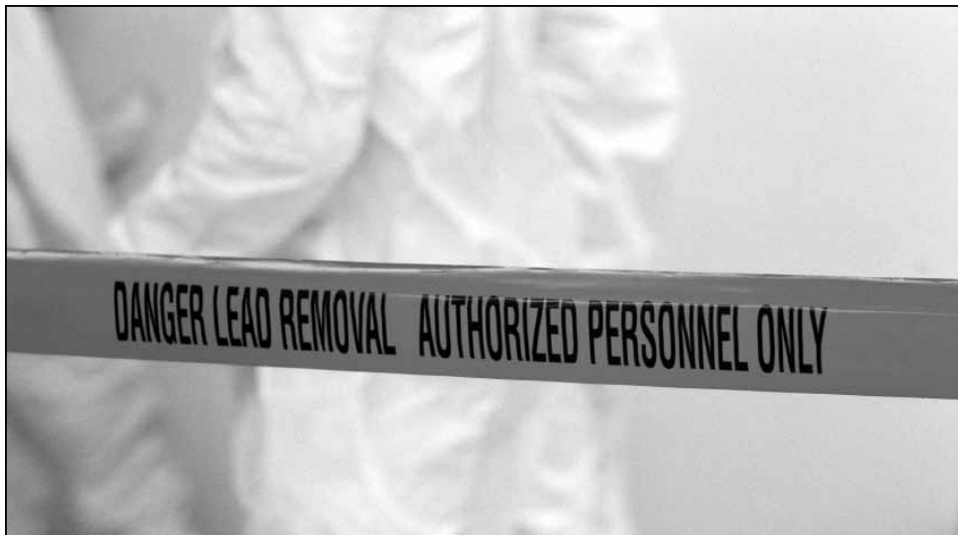
The delay does provide more time for remodelers who have been thus far unable to find a class, and that is a decided win for NAHB.

To avoid enforcement, contractors must enroll in certified renovator training with an EPA-approved training provider by Sept. 30 and the training must be completed by Dec. 31. Remodelers must also apply to EPA for firm certification by Sept. 30.

"EPA listened to our concerns and did the right thing," said NAHB Chairman Bob Jones.

In the revised guidance issued earlier this month, the EPA acknowledged that remodelers in many parts of the country have been unable to obtain the required training to comply with the rule — a problem that NAHB has been urging the agency to solve since the rule was announced two years ago.

The issue came to a head in May after floods devastated parts of Tennessee and there weren't enough certified remodelers on hand to complete emergency home repairs in the area. NAHB and the state home builders association proposed a delay in enforcing the rule — a request the EPA



consented to in its June 18 letter.

The EPA action was in direct response to NAHB's continued involvement in the lead rule, which it acknowledged in the memo, including a petition to delay the rule and efforts to educate members of Congress on its adverse ramifications.

Additionally, the association had been strongly supporting an amendment from Sen. Susan Collins (R-Maine) to the Supplemental Appropriations Act that would have delayed the effective date of the rule.

"This rule potentially affects about 79 million home owners. That's how many homes were built before 1978, when lead paint was banned," Jones said in a press release sent after the memo was made public.

"We need significantly more contractors certified than the 300,000 who have taken the training course, and we also need to make sure that affected home owners understand the importance of hiring a certified contractor."

## Remodeler Leaders Meet with EPA

NAHB Remodeler leaders Bob Hanbury, CGR, and Bob Peterson, CGR, CAPS, CGP met with Assistant Administrator Steve Owens and other EPA officials on June 23 to discuss the problems associated with the agency's clearance testing proposal.

*continued on pg. 7*

The testing would add more expense, increase liability and further blur the lines between remodeling and lead paint abatement contractors, Hanbury and Peterson told EPA leaders. It would also require additional technical training for the industry at a time when remodelers already are struggling to obtain training in existing certification requirements.

Before the meeting, Owens' office ruled out any discussion of the June 18 memo, telling NAHB that another division within the agency would issue clarification — although no such information had been posted by Monday morning, June 28.

This latest meeting was part of NAHB's continuing efforts to work with the EPA on a sensible lead paint work practices rule that also encourages consumers to choose a lead-paint certified remodeler rather than complete the work themselves. Although the EPA launched a consumer public relations campaign on the rule, it has yet to gain traction and home owners remain unaware of rule costs, requirements and the dangers of attempting do-it-yourself remodeling.

### What the Rule Requires

The EPA requires remodelers working in pre-1978

homes to:

- Give customers the pre-renovation pamphlet ("Renovate Right") and have them sign verification that they have received the notification
- Set up work-area containment
- Employ lead-safe work practices, such as using HEPA-filter equipped tools and not using open flames to remove paint
- Conduct thorough cleaning after work is finished
- Complete the cleaning verification process

Remodelers can search for an EPA-approved training provider or can contact their local home builders association to find certified renovator training sessions.

Remodeling firms must also become EPA-certified by submitting a form and \$300 fee.

For more details about the work practices established by the EPA in the rule, see the "EPA Small Entity Compliance Guide to Renovate Right".

For more information, visit [www.nahb.org/leadpaint](http://www.nahb.org/leadpaint). This article appeared in the NAHB's free on-line newspaper "Nation's Building News" on June 28, 2010.

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# Housing Has Turned the Corner, But Is Still Struggling With Jobs and Low Home Prices

**H**ousing has turned the corner of the worst downturn in more than 60 years, but the market is still grappling with high unemployment and sharply lower home prices, according to "The State of the Nation's Housing 2010," which was released by the Joint Center for Housing Studies of Harvard University on June 14.

"The strength of job growth is now key to how quickly loan distress subsides and how fully markets recover," the report says.

"If history is a guide, what happens with jobs will matter the most to the strength of the housing rebound," says Eric Belsky, executive director of the Joint Center. "Right now, economists expect the unemployment rate to stay high, but if employment growth surprises on the upside or downside, housing numbers could too."

First-time home buyers drove the improvements that began to be seen by the middle of last year, triggered by improved affordability and the first-time home buyer tax credit, and they were responsible for all of the gains in existing home sales in 2009, the study says.

"As a result of lower home prices and interest rates, mortgage payments on a median-priced home (assuming a 90% loan-to-value ratio) dropped below 20% of median household income — the lowest level on record dating back to 1971," according to the center.

The report notes that in April there were 7.8 million fewer jobs than in December 2007, and "unfortunately, most economists predict that the unemployment rate will remain elevated as discouraged workers reenter the labor force amid slow gains in jobs."

The overhang of vacant units for rent, for sale or held off the market is another "serious concern," the report says.

"Despite production cuts of more than 70% since 2005, the overall vacancy rate hit a record in 2009. In addition, many current owners are effectively trapped in homes that are worth less than the amount owed on their mortgages. If these distressed owners want or need to sell, their only choices are to walk away from their homes or write a check at the closing table. This will inhibit a recovery in repeat home sales."

Citing statistics from First American CoreLogic, the center says that falling home prices left 11.2 million home owners underwater on their loans — with no home equity and unable to tap traditional markets — as of the end of the

first quarter of 2010. Housing was adding significantly less to the pocketbooks of consumers, as well, with Freddie Mac reporting that total real home equity cashed out at refinancing dropped 25% in 2009 and stood below \$80 billion for the first time since 2000.

The housing market will also have to weather the expiration of the home buyer tax credit, but the report suggests that the improving labor market may enable housing to avoid a dip similar to what occurred when the first round of credits expired in the fall of 2009.

## Declining Incomes and Wealth

At the outset of the recovery, home builders are also having to contend with a noticeable decline in the income and household wealth of their prospective buyers.

"After at least three decades of progress, real median household income will almost certainly end the 2000s lower than they started," the study says. "At last measure, the median for all households was \$49,800 in 2008, down from \$52,400 in 2000. Even at their last cyclical peak in 2007, real median incomes were 1.2% below 2000 levels."

The household wealth of households slid from \$503,500 to \$486,600 over the decade, according to Harvard.

"While growth in stock wealth has already started to pick up, housing wealth will take a slower path to recovery. Indeed, despite some painful foreclosure-driven deleveraging, mortgage debt has never been higher relative to home equity. After an \$8.2 trillion plunge in housing wealth since the end of 2005, mortgage debt entered 2010 at 163% of home equity."

Even outside the cyclical decline in income and wealth, the financial wherewithal of prospective buyers will be a concern for the housing market in the period ahead as it becomes increasingly diverse.

"At last measure in 2007, minorities accounted for fully 35% of first-time home buyers and 20% of repeat buyers even in the middle of the housing bust. The immigrant share of first-time buyers was 19% and of repeat buyers 12%."

The report says that "minority households have lower median incomes than white households. For example, the median income for 35-44 year-old minority-headed households was \$45,000 in 2008, compared with \$72,900 for whites."

*continued on pg. 9*

## The Return of Household Growth

The most optimistic news from this year's report comes from a longer-range assessment of household growth.

While there has been much discussion of the impact of the recession on household growth, "it is difficult to judge how big those effects have actually been," according to the center. The cumulative slowdown over the past four years appears to range from 1.0 million to 2.8 million.

"The reality could, however, be even worse because household growth estimates depend heavily on net immigration, which is particularly difficult to assess in and around an economic recession."

The report observes that it is also hard to sort out how much of the slowdown in household formations has been due to reduced immigration and how much to lower household formation rates caused by doubling up.

The Current Population Survey from the Bureau of Labor Statistics and the Census Bureau shows foreign-born households under the age of 35 declining by 338,400 from March 2007 to March 2009, compared to a drop of only 2,100 native-born households of the same age.

"On the other hand, the survey also indicates that headship rates among young adults as a whole declined in the late 2000s, consistent with the expected effects of soaring unemployment within that age group. At the same time, the survey also shows some drop-off in headship rates in older

age groups," the report says.

"In any case, headship rates may not remain depressed for long given dramatic improvements in affordability for first-time buyers who have jobs, softening rents due to high rental vacancies and the expectation that household growth will return to long-term trend levels when employment growth quickens.

"But assuming headship rates remain at their slightly lower 2008 levels and that net immigration recovers to its 2000-2005 pace, household growth will average about 1.48 million annually in 2010 to 2020. Even if immigration falls to half the Census Bureau's currently projected rate, household growth will still average about 1.25 million annually.

"This low-end estimate puts household growth in the next 10 years on par with the pace in 1995 to 2005, and should support average annual housing completions and manufactured home placements of well over 1.7 million units. The higher-end estimate would likely support production exceeding 1.9 million units per year on average over the coming decade."

The study also indicates that builders should be on the lookout for retiring baby boomers, the oldest of whom are just turning 64, with millions soon to follow.

"Despite their losses in wealth caused by the correction in home and stock prices, the baby boomers will drive demand for senior housing suited to active lifestyles as well as for assisted living facilities," the report says.

*NAHB and the National Housing Endowment were among the organizations providing funding for the report. This article appeared in the NAHB's free on-line newspaper "Nation's Building News" on June 28, 2010.*

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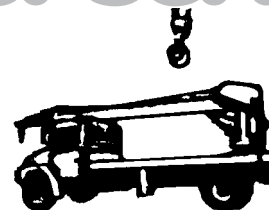
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# A Message on the AD&C Loan Crisis From NAHB Chairman Bob Jones

This spring, we have seen encouraging signs of a housing recovery starting to take root, with home sales and starts slowly and erratically beginning to register encouraging gains from the steep decline of recent years. Despite what you might have been seeing in the national data, many local housing markets are poised for a return to normalcy, and the hardest-hit parts of the country appear to have seen the worst of a devastating housing downturn.

But there can be no long-lasting housing or economic recovery as long as the home building industry continues to experience severe credit problems for acquisition, development and construction (AD&C) loans. The lack of access to capital especially puts small and medium-sized builders at a disadvantage, making them uncompetitive in their markets and even threatening the viability of their businesses.

Ending the freeze in home building credit that is jeopardizing countless home building firms across the nation is our association's top priority.

Under intense pressure from bank examiners to reduce their exposure to development and construction loans to builders and curtail their outstanding portfolio of real estate loans, many lenders are refusing to make loans for viable new housing projects and cutting off the funding for performing loans, or calling them. This is causing unnecessary foreclosures and losses on these loans. Performing loans are also being reappraised, reducing the value of the collateral and forcing borrowers to come up with large amounts of cash to keep their loans current.

Since the credit crisis began, NAHB has been working relentlessly to improve the availability of credit for home builders. We have — and continue — to work to resolve this issue on all fronts. These efforts include:

- An ongoing series of meetings with federal banking regulators to urge them to reduce regulatory restrictions on AD&C credit and rein in overzealous bank examiners
- Taking our concerns on AD&C to Capitol Hill to get congressional pressure for regulatory change as well as direct legislative remedies
- Working with the Federal Deposit Insurance Corporation on behalf of builders with loans caught in receiverships
- A joint outreach to all major banking trade organizations



- Efforts to pursue meaningful changes in the appraisal process
- Attempts to identify and facilitate builder access to alternative sources of housing credit
- Providing information and assistance to NAHB members who are experiencing AD&C credit problems
- Undertaking a range of activities to address appraisal problems
- Engaging in an aggressive media campaign to publicize the problem and pressure policymakers to take action

Many builders throughout the land are struggling today for access to credit. Financing for the production of housing is critical not only for their languishing businesses, but for the full-fledged housing upturn that is needed to boost consumer confidence and create jobs. Rest assured that NAHB will continue this good fight for as long as it takes to restore the flow of housing production credit to our industry.



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# Market Faces Major Change, But Suburbs, Small Cities May Hold Onto Their Advantage

The worst of the housing downturn may be over, according to speakers at PCBC earlier this month in San Francisco, but builders are apt to find themselves on an unfamiliar path to recovery and can expect to see fundamental changes in what motivates prospective home buyers.

While low home prices and mortgage rates have been key to engaging prospective customers at the outset of today's housing recovery, and it is going to take some time for consumers to fully regain the wealth and confidence they lost in the harshest economic downturn since the Great Depression, simply building smaller and leaner is unlikely to be enough to foster a thriving business.

At an uncertain crossroads for the economy, the future does not look at all assured for builders who are unable to think through some of the implications of today's unsettling times and apply them to local markets they know well, those attending the annual West Coast conference were told.

However, with change comes opportunity, and Joel Kotkin, author and a distinguished fellow in Urban Futures at Chapman University in Orange, Calif., assured builders that there's considerably "more population growth to come," with the U.S. population exceeding 400 million by 2050, up from a bit over 300 million today, and the labor force growing 42% between 2000 and the midpoint of this century.

"There's going to be a market," he said, and the suburbs and smaller-scale urban centers are likely to outperform big cities.

## Suburban Living Preferred

"Contrary to much of the current media hype, most Americans continue to prefer suburban living," Kotkin writes in his article, "The War Against Suburbia," appearing in the Jan. 21 issue of *The American*, the Journal of the American Enterprise Institute.

"Indeed for four decades, according to numerous surveys, the portion of the population that prefers to live in

a big city has consistently been in the 10% to 20% range, while roughly 50% or more opt for suburbs or exurbs," he writes. "The reasons? The simple desire for privacy, quiet, safety, good schools and closer-knit communities."

The single-family home, even a shrinking one, is also likely to be most favored by U.S. households, according to Kotkin, who says that 83% of potential buyers surveyed by NAHB and the National Association of Realtors® prefer this kind of dwelling over a townhouse or apartment.

During the period of 2000 to 2008, Kotkin told a PCBC audience, 75% of the growth occurred in the suburbs, not the cities.

While many in 2007 started sounding the death knell of the age for suburban growth, citing the high concentration of the housing bust in the outer suburbs, where a disproportionate number of buyers had relied on subprime and other conventional mortgages to afford their new homes, Kotkin said those analysts have tended to overlook urban condominium markets, where in many cases the devastation was even worse.

In downtown Los Angeles and other troubled condo markets, he said, builders made the mistake of delivering expensive apartments for "the mythical empty nester," when they should have been focusing on the 20-somethings who were really driving demand for a return to city living but didn't have the income to be able to buy these properties.

As a group, however, those same 20-somethings, members of the "millennials" generation born to baby boomers after 1983, don't favor the urban core. The closer-in suburbs is where 43% of them want to live, Kotkin said, which is logical because that is where they grew up.

The suburbs will also be a good place to live judging from their 6% employment growth from 2001 to 2006, compared to 0.9% for the same period in central cities, which "are difficult places in which to do business," he said.

Immigrants, too, are seeking the good life in the suburbs, where 52% of them live now. "They are moving increasingly to suburban areas," Kotkin said.

*continued on pg. 13*



Kotkin also noted that the millennials, constituting a larger demographic cohort than their parents, are moving up relatively fast into the housing market despite the nation's dormant job growth, and will be the most demographically diverse population of Americans in history.

Builders should also be watching for migration to smaller-scale cities with populations of 250,000 to 500,000, or even one million to two million, where the affordability of housing is a major draw for young prospective home buyers who know that they will have a harder time finding something they can afford on either the West or East coast.

## Motivating Home Buyers

One constant in the current marketplace, according to Barbara Nagle Statler, president of Marketscape Research and Consulting, is that "people are shopping because they need to, not for novelty, as they were in the previous cycle. In sharp contrast, at the tail end of the housing boom, 80% of those looking for a home were discretionary."

When the market was surging, "we thought people loved the product that was produced," she said, but in reality sales were being driven by the underlying momentum. "We stopped innovating and thought we could design for people we didn't know," she added, and "the sales process got away from motivating the buyer."

To get through the next two years as markets gradually regain their health, "stick to what you know and where you have a competitive advantage," advised Amy Price, managing director, Morgan Stanley.

Price lamented that the markets are currently being driven by low mortgage interest rates and the ready availability of affordably priced homes, when job growth would be a far more effective spur to recovery. She regards the 20s and the 60s as the critical demographic age groups in the housing upturn. As for where the jobs will be growing, she has a favorable view of neighborhoods in the vicinity of universities and hospitals.

## Major Changes Afoot

Regardless of who is right about the future of the nation's suburbs, futurist Paul Saffo, an associate professor in the Engineering School at Stanford University, said that one thing is certain: the industry is "not returning to building the old suburban model."

The economic crash, the fading of the consumer culture that arose from the 1950s, the ascendance of digital technology and the increased urbanization of the planet are among the forces that Saffo said have ushered in a period of major change.

While Saffo left it up to builders to figure out exactly how to apply his insights on today's highly uncertain times, he assured them that what's shaping up now does have implications for the home building business.

"Do not underestimate the fundamental nature of what's happened," he said. This is a time when builders should be angling for an advantage and scouting for new opportunities. "There is plenty to be afraid of, but there is plenty to be optimistic about," he said.

At the center of the new economy described by Saffo is "a new actor" or "unpaid amateur" who both consumes and produces. "Everybody can do it" and "more people can interact," he said. In the creator economy, "people who think they're consuming may be creating and vice versa."

Builders' prospective customers are moving into an era of "deep engagement," he said. "You can't just watch the Web, you have to put something in to get something out."

"People are doing things that seem economically irrational," Saffo said. "They are doing things for free. This will wash over into the housing business."

Builders can anticipate customers who ask for much deeper customization in their homes, he said, and they should be thinking about rolling out products to meet needs that aren't being served, such as a mortgage that will accommodate the home owner who moves frequently.

This also might be a good time to look back at things that didn't work in the past because the market wasn't ready for them.

"In housing, we've created rubble in which there are good ideas about new ways to do things," said Saffo. "We tried it and it failed and it will never work. That's the time for it to take off; it may have been an idea ahead of its time. Things that failed may be indicators of an overlooked eventual success."

*This article appeared in the NAHB's free on-line newspaper "Nation's Building News" on June 28, 2010.*

Thank you to the following HBA of Mahoning Valley Members that serves on OHBA Committees to help protect and defend your industry. Contact HBA Executive Director Joshua Aikens to find out how you can become involved at the State Level with these dedicated members.

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Political Action Committees help raise money to support our industry when dealing with legislators. Here is a list of members that serve on our Local Build PAC Committee. To make a donation to your local BuildPAC Committee, please contact Chairman Jim Grantz at 330-758-5073.

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These are only a few of Google’s offerings. Google has a list of offerings on their Google Apps page. Visit [www.google.com/a/](http://www.google.com/a/) for further information.

*Written by Brad Murphy, owner of HBA Member Company, Steel Valley Computers.  
To reach Brad, contact him at 330-259-6655 or [brad@steelvalleycomputers.com](mailto:brad@steelvalleycomputers.com)*

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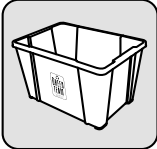
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Please double check the HBA's address in your files and databases. As of November 1, 2009, mail will NO LONGER be forwarded to the Mahoning Ave. address from the South Ave. address. This will cause definite delays and possible non-receipt of correspondence and dues payments.

Therefore ALL HBA mail should be addressed to:

**HBA of Mahoning Valley**  
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## Are You Leaving Money on the Table?

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## HBA Office Hours:

**Monday – Friday 8:30am – 5:00pm**

\*Office usually stays open during the lunch hour. However, with two staff members it is always best to call the HBA Office BEFORE stopping by to make sure that we will be here. Josh takes lunch appointments, so Becki will close the office for her lunch hour.

\*Josh Aikens is out on Tuesday's between 11:00am – 1:30pm attending his weekly Rotary Meeting.

## HBA New Members

### **Kiraly & Associates Architecture**

Joe Kiraly  
330-629-2773 – phone  
*Architect*

### **All Construction Services**

Don Cook  
330-958-0675 – phone  
*Building Products & Materials*

### **Rogers Consulting Group**

Cynthia Rogers  
330-559-4966  
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### **Savanna Springs Water**

Steve Pirosock  
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**May/June 2010**

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APCO Construction  
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Kiraly & Associates Architecture  
Komar Plumbing  
Lyons Electric  
Meadowbrook Development  
Mike Pusateri Excavating  
New Age Building Co.  
Reilly Construction Management  
Richard Yannone  
Sayre Construction  
Select Home Solutions  
Smith Family Builders  
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Stanton Heating & Cooling  
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