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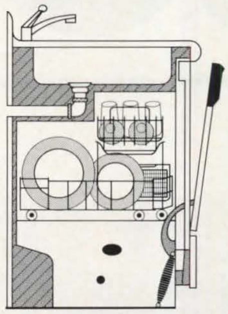

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HOUSING COMMISSION REPORT:
Positive program or exercise in futility?

The recently issued report of the President's Commission on Housing covers 725 typewritten pages and provides a good summary of recent housing industry history. Its recommendations, in line with Reagan administration policy, are designed to limit the government's role in providing housing assistance, mortgage credit and the like, and to shift these responsibilities to the private sector. "... The genius of the market economy, freed of the distortions forced by government housing policies and regulations that swing erratically from loving to hostile, can provide for housing far better than federal programs," the report says. "The 1970s taught not only the limits of the good that can be done by government action, but also the depths of the harm that can be wrought by ill-thought or ill-coordinated federal policy."

It's hard to argue with that statement, although one wonders if it's possible ever to reach a true market economy in light of all the political pressures that will be brought to bear as the commission's recommendations are translated into a housing program. We do hope that some constructive action will result, particularly regarding the commission's list of 60 recommendations for deregulation at the federal, state and local level. This list covers subjects as diverse as rent control, environmental and zoning regulations, building codes, condo and co-op conversion rules and the Davis-Bacon Act.

Another recommendation we particularly liked was that there be some sort of assistance for first-time buyers in accumulating a down payment. Three possible options included a tax-free savings account, government matching of funds, and tax-free use of IRA account deposits for a first-home purchase.

A substantial portion of the commission's report was taken up with a discussion of housing finance, and here the recommendations included broadening the asset and liability powers of the thrifts, making available a mortgage interest tax credit to all investors, removing regulations that restrict mortgage investment by pension funds and commercial banks (already partially implemented), removing tax, legal and regulatory blocks to the development of private markets for mortgage-backed securities, and leaving to the private sector such programs as FHA's mortgage insurance and Ginnie Mae's mortgage-backed securities.

Obviously, implementation of these recommendations would mark the end of the special relationship between the thrifts and the housing industry and force mortgage borrowers into the capital markets. Both the NAHB and the National Association of Realtors have expressed concern about this. We feel, however, that the package of recommendations on housing finance would be beneficial because it would open new sources of funds. That special relationship with the thrifts has already come to an end because it depended on something no one can legislate: the public's willingness to accept low yields on savings so that it could then enjoy favorable mortgage rates.

The main problem with the commission's report is, in its own words, that "these recommendations will be fully effective ... only if the federal government can achieve both fiscal responsibility and monetary stability." And there's the rub. For no matter how reasonable and carefully thought-out the commission's housing program, nothing can insulate our industry from the general economy, from the financial markets, and from the distortions caused by such political differences as the current stalemate over the budget deficit.

—NATALIE GERARDI

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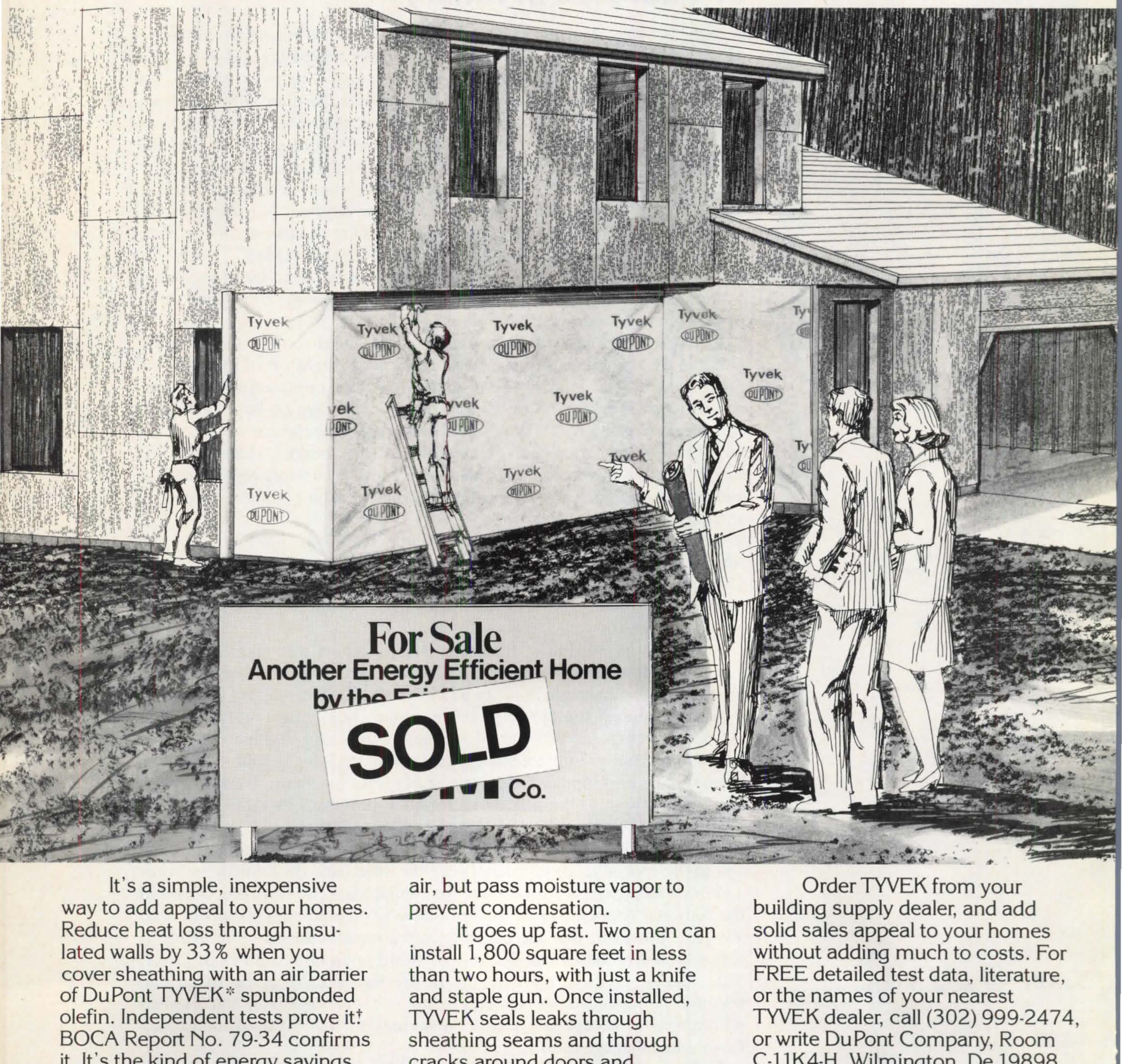

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HOUSING HOTLINE

President Reagan is hearing it from all sides—this time from the executives of seven industry associations. They released a joint statement at a "Building Headquarters" media reception in New York. The statement read in part: "We call upon President Reagan and the Congress to move more quickly to address this serious problem [of high interest rates] by getting federal deficits under control. Lowering federal deficits would be a major step toward getting the housing and home improvement industry moving once again and could stimulate our national economy." The sponsors were: Asphalt Roofing Manufacturers Assn.; Mineral Insulation Manufacturers Assn.; National Kitchen Cabinet Assn.; National Remodelers Assn./National Home Improvement Council; National Woodwork Manufacturers Assn.; Passive Solar Industries Council; Vinyl Siding Institute. Combined, they represent more than 400 companies and thousands of contractors.

Putting their money where their jobs are, the Chicago District Council of Carpenters—representing a three-county area—tapped $10 million of its pension fund for an 11.9% mortgage program. The union will buy such loans originated at commercial banks, thrifts and other financial institutions. Buyers will have to pay two points, and rates will be adjustable to a maximum of 2.5% every five years. Loans may be called after 16 years, but will be amortized on a 30-year schedule. Other terms: maximum loan value, $100,000; maximum financing, 95 percent; maximum size of structures to be financed, three-and-one-half stories. A major proviso is that contractors and subs working on the mortgaged building must be under contract to AFL-CIO affiliated unions.

Condo conversions, like every other facet of the industry, feel the effects of the recession. After a three-year run, says U.S. Housing Markets, the boom collapsed in 1981. In 18 major markets surveyed by Advance Mortgage Corp., which publishes U.S. Housing Markets, conversions declined nearly 40 percent—from 90,000 in 1980 to 56,000 in 1981. What's more, the same markets project only 26,500 conversions for 1982, with several of those expecting none at all. In California, the report states, many conversions have been taken back by lenders—with a number spared only by the lender's reluctance. Another sign of the conversion slowdown: Developers in most markets, the report says, are no longer bidding up the price of convertible buildings; they buy on a building's value as a rental only.

UF foam disclosure program, announced by the National Association of Realtors (NAR) will enable brokers to inform prospective buyers whether homes have been treated with urea formaldehyde foam insulation. It was recently banned by the Consumer Products Safety Commission [HOUSING, Apr.]. According to CPSC estimates, about 500,000 homes had been treated with the insulation prior to the ban. And estimated cost for removing the material ranged from $4,000 to $40,000, depending on the structure. The NAR recently met with officials of the commission to develop a package of materials that will explain the ban, include forms for disclosure and provide information for both buyers and sellers. "In line with our code of ethics, we are obliged to disclose all material facts concering the condition of a property," explains William D. North, NAR's senior vice president and general counsel.

How will the UF foam ban stand up in two lawsuits filed against it—one by the Formaldehyde Institute, the other by CP Chemical Co. The former is a group of major chemical producers who manufactuer formaldehyde, but not UF foam. The later produces a foam insulation that contains no formaldehyde but its product was on the "banned" list. In a related—but other-side-of-the-coin—action, Ralph Nader's Public Citizens, a consumer action group, asked the District of Columbia Federal Appeals Court for an extension of the UF foam ban beyond school and home use to some commercial applications.

HOUSING HOTLINE

Special report from NAHB's Spring Director's Meeting

WASHINGTON—Even the veiled threat of a Presidential veto of the highly touted emergency housing legislation *(see page 17)* failed to put much punch into the National Association of Home Builders' generally lackluster spring board meeting.

With less than an hour left in an otherwise "unusually quiet" five-day session, Presidential Assistant Edwin L. Harper stirred the first true bit of controversy when he labeled the centerpiece of the NAHB's legislative thrust a "bailout" that, if enacted, "would be the bell-cow that will lead all other bailouts into the budget."

"There are all kinds of bailout proposals from all kinds of special interest groups," said Harper, "and the housing bill is no different."

Still, the placid 1,700-member board meeting could not be roused. Though a few snickers and a hiss or two could be heard, Harper received a polite response. And in a closing news conference, NAHB President Fred Napolitano said he did not interpret Harper's remarks to mean a definite veto.

As long as the bill is not riddled with amendments, Napolitano said, "I think the door has been left open so that the President can make up his mind when it reaches his desk."

Why such an unruffled, peaceful gathering? Perhaps homebuilders, reeling from the effects of a housing recession now in its 42nd month, have no fight left. After all, World War II lasted 42 months and that battle was won.

Or maybe those attending this session are the survivors who are going to make it no matter how bad it gets in the trenches. "They may not be doing all that well," said one veteran of these semi-annual board meetings. "Some drove rather than flew here, and stayed in the cheapest hotels, but they'll make it."

To a degree, both factors had something to do with the serene atmosphere. More than that though, NAHB seems to be marking time, waiting to see if the stimulus it says members need so desperately can continue along at its race-horse pace.

"Sure, some people are beaten down," said one board member. "But things are happening. Nothing better's happened in the last three years and we're not going to rock the boat."

"We are treading lightly here," added a member of the 12-man resolutions committee. "We're close to getting this legislation through." The committee was so concerned that nothing be done to jeopardize the stimulus that it persuaded six local associations to recall a proposal opposing any action outside of balancing the budget.

Opening the meeting, Napolitano gave a hint of what would follow when he said that although he personally opposed any type of subsidy, it is time "to put aside philosophical differences and work for the majority. And it's the decision of this association that the stimulus is the minimum that's needed to keep the industry alive."

Napolitano also defended what he called his "outspoken criticism" of issues facing the housing industry. "I thought that's why you elected me," he said. He said he will continue to "attack policy," but bowing to the continued rank-and-file support of the President, he pledged not to "attack the man."

A mid-March survey of builder-members gave the President high marks for his handling of the nation's economic woes, and if this meeting is an accurate indication of present sentiments, he still has their backing.

"Hardly a whimper," answered a resolutions committee member when asked if any question was raised concerning continued support for the administration. "You have to realize how conservative these people are," he said. "They're very, very Republican."

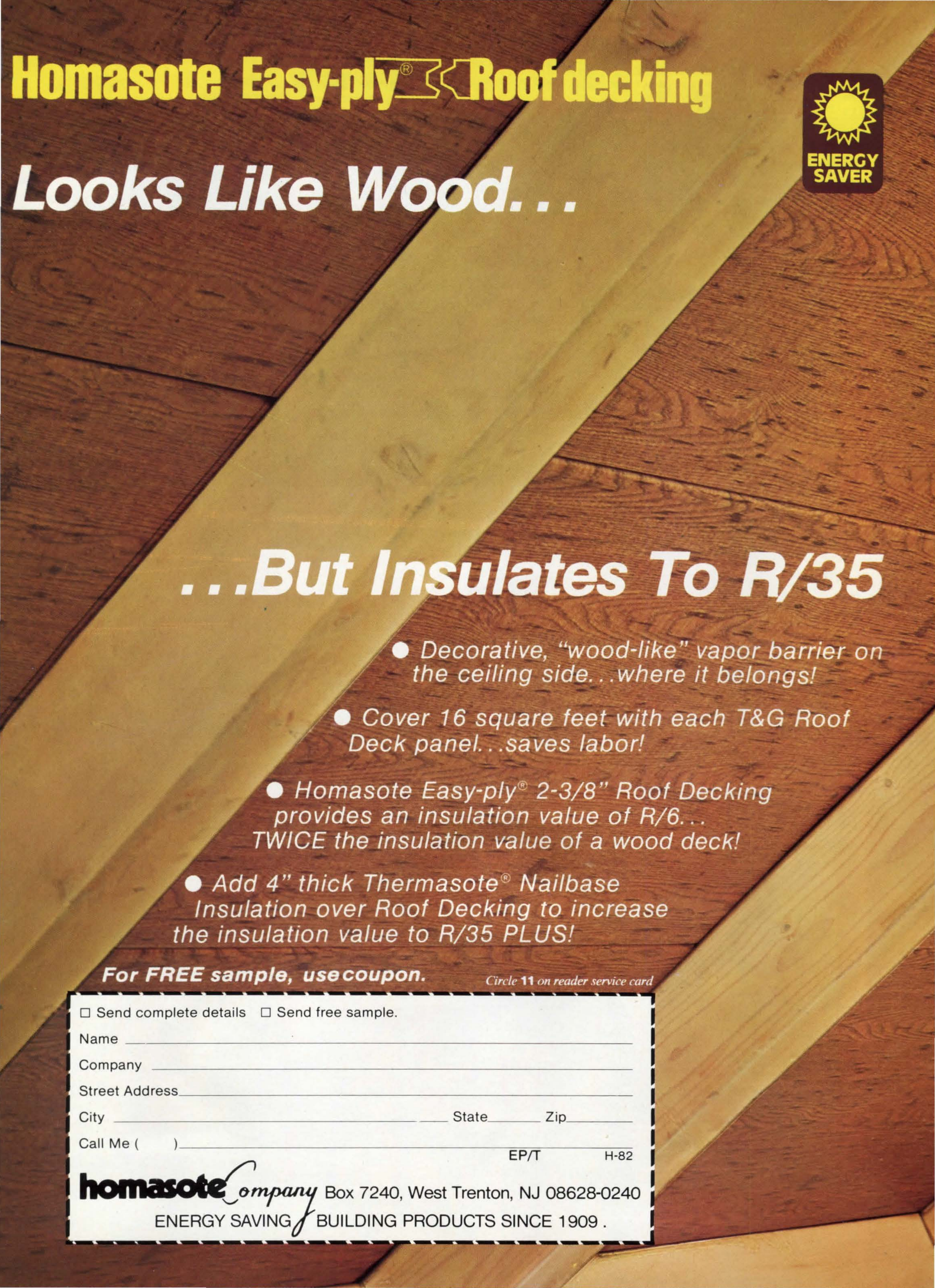
The survey found that while seven out of every 10 builders approve of the overall economic recovery program, nearly as many said the President should be criticized should he fail to back an emergency housing program. Moreover, 43 percent approved of reductions in federal housing programs and 53 percent approved of the Federal Reserve Board's policy of restrained monetary growth.

An NAHB staffer said survey results indicate that "our members are thoroughly confused." Shaking his head in apparent disbelief, he said that he found it difficult to comprehend that though "their businesses are falling apart, they like this guy's personality and his overall concepts."

Another word of warning came from Herman Smith, the association's former president, who offered that emergency legislation "would get controversial before this thing's over." Last year, he said, "85 percent of our people were eating out of [the President's] hand. Now just 50 to 65 percent support him, depending on who you talk to."

And noting what he called "passive" response to former Vice President Walter Mondale, who was introduced as "the leading candidate for the Democratic presidential nomination in 1984," Smith wondered aloud: "I'd like to see what kind of response he'd get if Reagan vetos the bill." —LEW SICHELMAN

Lew Sichelman is a syndicated housing columnist based in Washington, D.C.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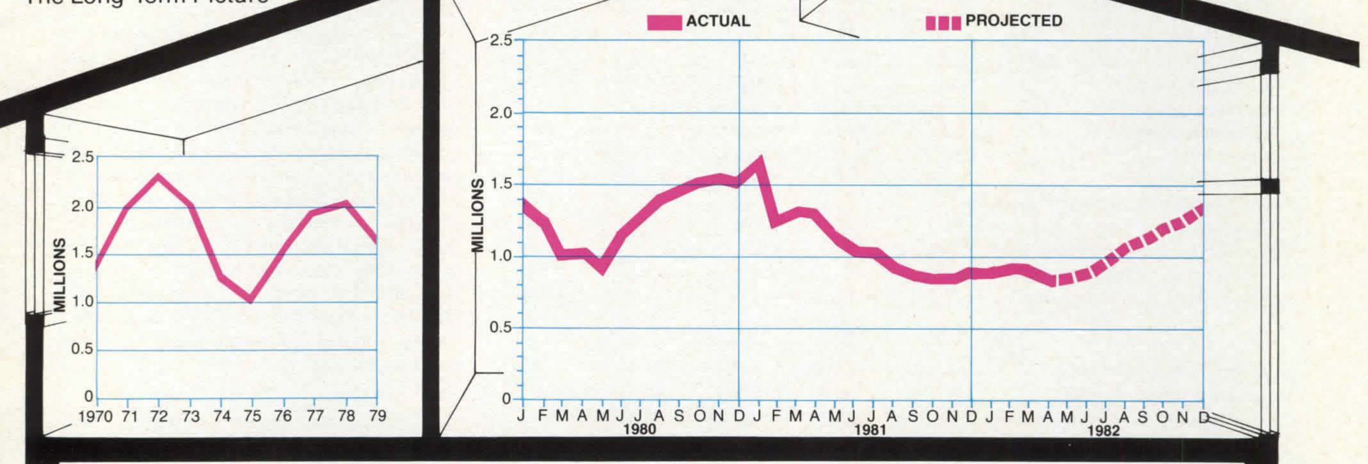
Housing Starts
The Long-Term Picture



April was the cruelest month as homebuilding slid back into the abyss, dashing hopes of an early sustained recovery. The preceding three months of collapsing new home sales helped set up this downturn. More ominous is the severe financial squeeze that has strapped builders and is devastating the entire economy. The name of the game has been reduced to pure cash flow. Everybody from the little guy to the corporate behemoths is having trouble paying past-due bills. There's little money for robust demand for new homes and builders are wise to duck the risks of the marketplace for now. Still, we see starts rising in the second half as interest rates ease moderately and as the tax cut lifts incomes.

Housing starts plummeted by 6.4% in April to a woebegone 881,000 annual rate, a dreary throwback to December. Revised data also show a 0.4% dip for March, breaking the recovery trend and many a builder's heart. The April rout centered on single-family activity, down 10%. Two-to-four unit buildings slipped 4.3%, while the five-or-more category climbed a scant 2.5%. Surprisingly, activity rose nearly 53% in the North Central region and held steady in the Northeast. But units begun in the bellwether Southern region fell 12.4%. And in the West, starts plunged 22.3%. Slight encouragement came from building permits, up 2.4% to 871,000. Single-family authorizations declined 3.5% and the two-to-four units category gained just 1.2%. But permits for the five-or-more unit group rose 11.3%. Permits were up everywhere but in the West, which slipped by nearly 12%. Authorizations jumped by almost 22% in the Northeast, while the South saw a slim 3.7% gain.

Construction Activity
In Thousands of Units/Year [7]

	4/82	3/81	4/81	Change From Previous Mo.	Change From Year Ago
Private Housing Starts	881	941	1,301	− 6.4%	−32.3%
Single Family	564	627	868	−10.0	−35.0
Two-to-Four Unit Bldgs.	67	70	97	− 4.3	−30.9
Other Multifamily	250	244	336	+ 2.5	−25.6
Total Building Permits	871	851	1,186	+ 2.4	−26.6
Single Family	444	460	682	− 3.5	−34.9
Two-to-Four Unit Bldgs.	82	81	123	+ 1.2	−33.3
Other Multifamily	345	310	381	+11.3	−9.4
	3/82	**2/82**	**3/81**		
Private Housing Completions	917	921	1,353	− 0.4%	−32.2%
Single Family	575	545	882	+ 5.5	−34.8
Two-to-Four Unit Bldgs.	79	69	132	+14.5	−40.2
Other Multifamily	263	307	339	−14.3	−22.4
Private Units Under Construction	687	690	918	− 0.4	−25.2
Single Family	402	402	528	0.0	−23.9
Two-to-Four Unit Bldgs.	46	47	66	− 2.1	−30.3
Other Multifamily	239	242	324	− 1.2	−26.2

Sales of new homes fell off the charts in March, shrinking 9.5% to a new low in modern record keeping. The 27% plunge since December surely had large bearing on the April starts decline. Sales actually rose 3.2% in the South but fell 44% in the Northeast. Declines of about 11% and 18% were reported in the West and North Central regions. Such a low volume pushed the supply of new-houses-for-sale to 9.9 months backlog. And the average sales price jumped 6.3% to $86,700, indicating that the typical family is being squeezed out. Existing home sales increased 2.1% from the February low. And the average sales price was up 0.6%. But these trends do little to show a sustainable recovery in new construction under way.

Market Activity
Annual Rate

	3/82	2/82	3/81	Change From Previous Period	Change From Year Ago
New Single-Family Sales [7]	334,000	369,000	518,000	− 9.5%	−35.5%
Average Sales Price [7]*	$86,700	$81,600	$81,600	+ 6.3	+ 6.3
Backlog of New Homes [7]	9.9 mo.	9.3 mo.	7.6 mo.	+ 0.6 mo.	+ 2.3 mo.
Existing Home Sales [6]	1,990,000	1,950,000	2,590,000	+ 2.1	−23.2
Average Sales Price [6]*	$79,300	$78,800	$76,200	+ 0.6	+ 4.1
Mobile Home Shipments [7]	252	251	255	+ 0.4	− 1.2
	1981 4th Qtr.	**1981 3rd Qtr.**	**1980 4th Qtr.**		
Spending on Home Repair, Etc. (billions/year) [7]	$47.4	$47.4	$49.2	0.0%	−3.7%

Construction Cost Indices

1967 = 100

	4/82	3/82	4/81	Change From Previous Mo.	Change From Year Ago
Wholesale Price Index—					
All Construction Materials (8)*	293.3	293.3	288.0	+ 0.2%	+ 2.0%
Asphalt Paving (8)	593.7	596.2	615.7	− 0.4	− 3.6
Portland Cement (8)	337.8	338.2	332.4	− 0.1	+ 1.6
Softwood Lumber (8)	323.7	319.5	355.5	+ 1.3	− 8.9
Plywood (8)	234.1	237.1	256.0	− 1.3	− 8.6
Plastic Products (2)	149.6	149.8	155.0	− 0.1	− 3.5
Production Index—Construction Supplies (4)*	124.7	125.9	147.9	− 1.0	−15.7
Construction Employment(000) (8)*	4,026	4,110	4,418	− 2.0	− 8.9
Unemployment Rate—Constr. (8)	19.4%	17.9%	14.5%	+ 1.5	+ 4.9
Hourly Constr. Earnings Index (8)	137.8	138.3	129.0	− 0.3	+ 6.9
	3/82	**2/82**	**3/81**		
New Materials Orders (000) (7)	$11,919	$11,000	$13,154	+ 8.4%	− 9.4%
Materials Shipments (000) (7)	$11,515	$11,288	$13,100	+ 2.0	−12.1

The recession in supply markets is showing a little evidence of easing. But there's still plenty of bad news. New orders for construction materials and supplies jumped 8.4% in March for the second straight gain. That elicited a rise in producers' shipments at long last. Still, suppliers trimmed output by 1% in April to just above January's disastrous low. While prices of construction wares at wholesale advanced 0.2% in April, the seasonally adjusted change was a drop of 0.3%. Construction labor was devastated in April as the industry unemployment rate soared to 19.4%, up 1.5 points. Likewise, employment fell by 2% after accounting for seasonal patterns. Acute joblessness contributed to a 0.3% decline in the construction wage index. Over the past year, building trades wages have risen 6.9%, compared to 7.8% in manufacturing. But that still betters the 6.8% rise in consumer prices.

Financial Activity*

	3/82	2/82	3/81	Change From Previous Mo.	Change From Year Ago
Net New Deposits, S&Ls (millions) (3)	($ 1,378)	$ 761	($ 2,137)	($2,139)	$759
Outstanding S&L Mortgages (millions) (3)	$15,763	$15,338	$17,281	+ 2.8%	− 8.8%
Mortgage-Backed Securities—S&Ls (millions) (3)	$39,507	$37,059	$27,969	+ 6.6%	+41.3%
Net New Deposits—Mutual Savings Banks (millions) (5)	($ 775)	($ 233)	($ 757)	($ 542)	($ 18)
	4/82	**3/82**	**4/81**		
Effective Mortgage Commitment Rate (Convent., 25-yr., 75%) (3)	17.41%	17.51%	15.53%	−0.10	+1.88
Atlanta	17.10	17.98	15.43	−0.88	+1.67
Boston	17.63	17.81	15.94	−0.18	+1.69
Chicago	17.73	17.71	15.97	+0.02	+1.76
Dallas/Ft. Worth	17.23	17.13	15.55	+0.10	+1.68
Denver	17.51	17.57	16.19	−0.06	+1.32
Los Angeles	17.56	17.65	15.52	−0.09	+2.04
Miami	17.05	17.01	15.66	+0.04	+1.39
Washington, D.C.	17.10	17.36	15.96	−0.26	+1.14
	6/83	**12/82**	**6/82**		
Ginnie Mae—8% Futures Contract— % Yield (1)	15.185	15.127	14.985	+0.142	+0.200

Money market rates are poised for a drop. But they are being held aloft by three factors. First, the phony budget compromise has disheartened traders, compounding fears of a red-ink debacle. Second, corporate borrowing remains strong, despite the sizable inventory liquidation. The collapse in profits has engendered a scary wave of survival borrowing as firms struggle to keep their doors open. Finally, to prepare for the drop in interest rates, banks have to shorten their own funding. But that has put pressure on CD and other rates. But these rates will fall in the near term. The Federal Reserve has eased, evidenced by the sizable drop in net borrowed reserves. In addition, inflation is abating. Finally, the dilatory recovery will take some steam out of borrowing. Unfortunately, improved near-term prospects cannot hide the problems down the road. The Treasury will run out of cash in June, requiring another rise in the debt ceiling. And Treasury cash borrowing is likely to triple in the third quarter. Also, the Fed will have to come to grips with excessive growth in the money supply.

General Economic Indicators

	4/82	3/82	4/81	Change From Previous Mo.	Change From Year Ago
U.S. Industrial Production Index (1967 = 100) (4)	140.7	141.5	151.9	− 0.6%	− 7.4%
Personal Income (billions of dollars) (7)	$2,531.1	$2,522.5	$2,353.8	+ 0.3	+ 7.5
Savings Rate (7)	6.1%	5.8%	5.2%	+ 0.3	+ 0.9
Total Employment (millions) (8)	99.340	99.492	100.878	− 0.2	− 1.5
Unemployment Rate (8)	9.4%	9.0%	7.3%	+ 0.4	+ 2.1
Wholesale Price Index (1967 = 100) (8)*	297.9	297.9	293.4	0.0	+ 1.5
Retail Sales (billions) (7)	$88.310	$87.128	$86.263	+ 1.4	+ 2.4
Domestic New Car Sales (millions/year) (7)	5.457	5.878	5.738	− 7.2	− 4.9
	3/82	**2/82**	**3/81**		
CPI (1967 = 100)	283.1	283.4	265.1		
CPI - Home Ownership	365.7	368.7	336.8		

Sources: (1) Chicago Board of Trade; (2) Electrical Marketing Newsletter; (3) Federal Home Loan Bank Board; (4) Federal Reserve Board; (5) National Association of Mutual Savings Banks; (6) National Association of Realtors; (7) U.S. Department of Commerce; (8) U.S. Department of Labor. All data seasonally adjusted unless marked by an asterisk (*). In most cases latest figures are preliminary, with revisions shown in next month's table.

Signs of recovery were few and far between in April. U.S. industrial output continued to nosedive, down 0.6%, while the unemployment rate soared to its highest since 1941. More optimistically, retail sales climbed a respectable 1.4%. And domestic new car sales surged in early May. With inventories pared to the bone, Detroit is beginning to gear up for bigger model runs. Sadly enough, homebuilding is not leading the recovery as it typically does. And investment tends to lag the cycle. In fact, the McGraw-Hill Economics Dept. found in its latest survey of business investment plans that capital spending will rise less than 4% this year to $334 billion. After adjusting for expected price increases, the implied change in physical volume is a decline of 4.5%. The recovery will take off as the tax cut and Social Security payments increase take effect on July 1, lifting consumer outlays. But the rebound will be far from snappy.

Lugar 'buy-down' bill waiting in the wings

Will President Reagan, as Congressional election-day pressures grow, wind up changing his mind about the economic and political necessity of stimulating new housing construction?

Rebellious members in both House and Senate moved swiftly last month to hand Reagan a bi-partisan bill that he might find hard to veto.

Key Democrats in the Senate got behind a Republican-sponsored bill. In the House, Republicans forced the Democratic leaders to bring up similar legislation that won by lop-sided votes.

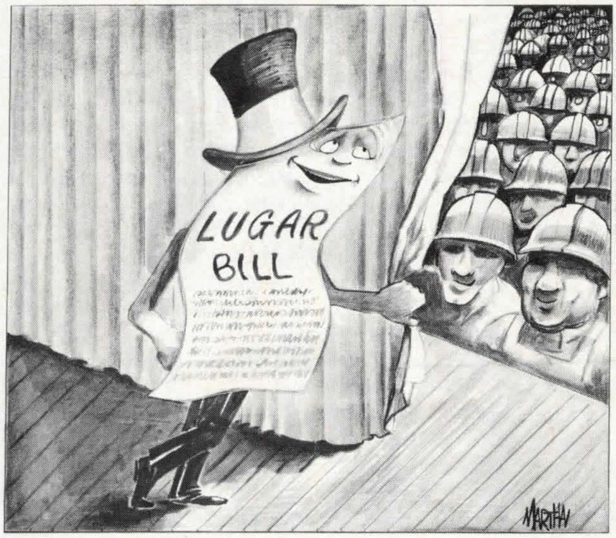


ILLUSTRATION: MARTHA GRADISHIER

Support for a homebuilding stimulus mounted swiftly, with the House adopting the interest-rate buy-down concept Sen. Richard Lugar (R-Ind.) advanced in Senate Banking and Appropriations Committees. As the recession dragged on, members become eager to vote for an anti-recession, jobs-creating bill.

Lugar, who is chairman of the housing subcommittee, pulled both Republicans and Democrats behind his proposal to use $1 billion of Treasury funds to lower interest rates on mortgages—as much as four percentage points for an estimated 400,000 buyers of new homes this year.

Democrats on the committee tried to broaden the bill. But after losing on straight party line votes, they went along with the bill, which already was backed by more than 30 cosponsors.

Lugar is promoting the legislation as an emergency anti-recession stimulant that can be effective almost immediately. He calls it "the major jobs bill of this session of Congress."

Backers play down the subsidy involved, saying the government would get back $2.5 billion in taxes from the 700,000 people who would go back to work as construction revived.

Pay-back provisions. The bill also calls for a return of the subsidy to the Treasury when a house financed through the "buy-down" program is sold or refinanced. As it went to the full Senate for consideration there, it provided income eligibility limits up to $37,000—that amount for families in high-cost areas—and a mortgage maximum of $77,625.

As the Banking Committee acted, the President's public position was that he was dead-set against any "budget-busting bailout" for any sector of the economy, no matter how deserving.

But Lugar and his allies point out that HUD Secretary Samuel Pierce Jr., has softened Reagan's position somewhat. Pierce said Lugar has "the best" of the various proposals to help housing, and that the administration is opposed for budget/deficit reasons "at this time."

The implication: Reagan's position might change later on.

'Me-too' worries. Lugar claimed that White House opposition stemmed in part from fear that the bill could not be legislated without becoming a "Christmas tree." That means it might have been amended to include federal help for other needy interest groups such as the Realtors and the thrifts, who are also lobbying furiously for their own special legislation.

Lugar's strategy, and that of homebuilders, is to downplay talk of a special deal for the homebuilding industry. It's an "emergency anti-recession stimulus to the economy to create jobs immediately," Lugar says.

Banking Committee Chairman Jake Garn (R-Utah) said he didn't think getting the bill enacted quickly was "an impossible task." Garn said it was "not a budget-busting measure" and that if Congress acted to reduce the projected deficits, "this housing aid program could be viewed in an entirely different light."

Ancillary considerations. However, Garn has indicated that if the budget-compromise package finally adopted by Reagan and the Congressional leaders doesn't make room for the funds required, he would move to withdraw the Lugar bill.

House Republicans have also been promoting an expanded revenue bond liberalization bill as the simplest and quickest way of injecting new mortgage money into the market. Such a bill had passed both houses, but Republicans wanted the conference committee to take the responsibility for expanding the bill enough to stimulate up to 150,000 starts.

—DONALD LOOMIS
McGraw-Hill World News, Washington

NAR develops safety net for people-to-people financing

New mortgage insurance coverage—for seller-financed resales worth an estimated $76.2 billion in 1982—is adding a margin of safety to people-to-people transactions. A program, called Realtors National Mortgage Access (RNMA), has been developed by the National Association of Realtors (NAR) to protect a seller against financial loss in the event of foreclosure.

A survey conducted by NAR in February revealed that 27 percent of responding real estate professionals felt that concern over default and foreclosure was a major factor in a seller's reluctance to take back a mortgage. Another 21 percent said that the collection of monthly payments was an important discouraging factor. Mortgage insurance administered by a professional lending institution can de-

Continued on page 20

Heavy criticism for Housing Commission report

To housing Secretary Samuel R. Pierce Jr., the recommendations of the President's Commission on Housing are "a foundation on which we can build a new national housing policy."

But to the National Association of Home Builders, the commission's work is mostly bad news. NAHB President Fred Napolitano, in a slashing, 2,000-word analysis, summarized the report as ". . . a radical departure from this nation's traditional housing policies" that "relies on the trickle-down theory . . . and, for all practical purposes, recommends eliminating all production-oriented programs."

Napolitano questioned whether "a credible report on housing can be presented to the American people today without at least touching on the serious problems afflicting the marketplace now." The report, he concluded, "is seriously flawed"—a polite way of saying it's a fizzle or worse.

NAHB did find several recommendations it could support. They include: calls for regulatory reform; housing accounts that would help first-time buyers accumulate down payments; mortgage investment tax credit; and removal of barriers limiting pension fund residential investment.

NAHB's "major areas of disagreement" add up to opposition to the "general underlying philosophy" of the housing commission's conclusions and recommendations.

"The new housing marketplace" the housing commission envisions, says the NAHB, "is dependent on private initiatives; lacks any major federal guarantees or commitments that the American people are entitled to decent, affordable shelter; and would erase what is left of the nation's mortgage credit policies—a truly remarkable system that helped turn a nation of tenants into a nation of homeowners in the postwar period."

Realtors unhappy too. The president of the National Association of Realtors, Julio S. Laguarta, was equally critical. The report's language is "vague enough," he said, "to convince us that continued investment in residential lending is not the commission's primary concern."

"Literally translated," Laguarta said, the commission's recommendations "would allow for the total abandonment of housing by the savings and loan industry. We cannot allow this to happen—not now, and not in the foreseeable future."

Bias charged. Laguarta said the commission was "top heavy" with representatives of the S&L industry who made decisions in "a biased manner." The result, he said, is that "the housing industry's concern with the traditional lending role" of the S&Ls was not included in the report.

William F. McKenna, chairman of the commission, said that the housing recession "will not be solved with the tools of the past." Speaking at the same news conference, HUD Secretary Pierce said "the next step" is for the cabinet group on housing "to review the report and make recommendations to the President." —D.L.

Real estate editors briefed on housing news

WASHINGTON—Optimism about a 1982 housing rebound was about as hard to find as 8% mortgages when real estate editors from all parts of the United States held a weekend seminar on housing finance.

Indicative of the near-term pessimism, which nearly everybody attributed to stubbornly high interest rates, was the fact that the conference organizers were unable to persuade anyone in the Reagan administration to present the government's viewpoint.

Anthony Downs, a senior fellow of the Brookings Institution here and former chairman of the Real Estate Research Corp. in Chicago, set the tone by predicting that contradictory federal policies will prevent interest rates from coming down substantially for the next few years.

Financing overview. Arthur Solomon, Fannie Mae's executive vice president noted that with S&Ls now forced to resell 55 percent of the mortgages they write, "more players are needed." The largest potential source of funds is the pension fund pool.

Kenneth Kerin, vice president of the National Association of Realtors (NAR), noted that buyers have exercised some restraint with ARMs. The closer they are to fixed-rate loans, the more acceptable they have been, he noted. The problem, he added, is that when rollover time comes—often including the need to refinance balloon or "bullet" payments—there could be a problem for many who anticipated lower rates.

Tax advangates. Michael Johnson, assistant professor of consumer economics and housing at Cornell University, noted that tax law changes are working against home sales in subtle ways. In the late '60s and '70s "bracket creep" worked to the benefit of builders. Then, the 75th percentile group—the economic sector typical of homebuying families—saw their tax bracket rise from 22 to 32 percent, increasing the tax advantages of buying a home. Conversely, as taxes go down there's a reverse effect.

Even so, many people will want to buy shelter—the roof type, that is. And with the current upturn in births, sometimes called the "echo baby boom," more families will be returning to the suburbs. And for those in higher tax brackets there still will be strong reasons for buying a home.

—AARON RUVINSKY

Avez-vous un 'condo' à vendre?

Automatic translation into French, Spanish and German is a feature of an international network of real estate information, introduced by the National Association of Realtors at the recent seminar held by the nation's real estate editors.

The NAR service, available only to members, was scheduled to go into full operation on May 15. Called REINET (the Real Estate Information Network), it is available in about two dozen countries. It is aimed at potential sellers and buyers of property in every category, from farms and factories to single-family homes and hotels.

Hugh Graham, a vice president of NAR, is REINET's director. He said charges will include a one-time $50 sign-on fee, $10 per month, and a charge for time actually spent on the computer system. A spokeswoman said it will cost $5 to $7 to enter a property, $10 to search for a property or buyer and $10 to have REINET enter a property for a subscriber who doesn't have a compatible terminal in the office.

Most standard computer terminals, certain word processors, some Telex machines and most microcomputers can be used to send and receive REINET information through the office or home telephone.

The spokeswoman said contracts have been sent out to 500 firms that had expressed interest. NAR hopes to have 2,000 subscribers by the end of the year. —A.R.

Upbeat outlook highlights yearly forecast

WASHINGTON—"We're looking toward some degree of recovery by the end of this year and into next year."

With that welcome news, economist Michael Sumichrast opened the National Association of Home Builders' annual spring residential construction forecast conference. Others on the panel agreed with the NAHB's chief economist in their short-term outlooks, but there was no such clear-cut consensus in long range forecasts.

"We're now seeing the beginning of a major rally," said economist Leonard Santow, but it will be short-lived, he believes. "An economic recovery cannot be sustained as long as there is a monstrous imbalance in monetary and fiscal policy."

And the senior vice president of J. Henry Schroeder Bank & Trust of New York, doesn't see much hope for correcting the situation. Congress already has given up on reducing the budget deficit significantly this year, he said, and the Federal Reserve Board won't back off from its aggregate monetary policy.

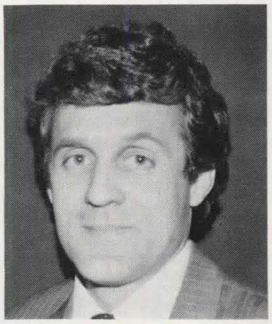
Positive signs. But Kenneth Rosen of the University of California said the economy is at a turning point, and for housing, the turn will be positive. "The internal dynamics of the economy won't support the situation much longer, as it stands now," said Rosen, whose "catastrophy theory" of economics is based on sudden changes during transitional economic periods.

Rosen said the Fed, the administration and Congress are playing "a three-corner game of chicken" that will culminate with each side backing down. Because "it is political suicide for any incumbent to go into an election under present economic conditions," he expects substantial budget compromises. He also looks for a "subtle shift" in Fed policies. "It won't be announced but it will come."

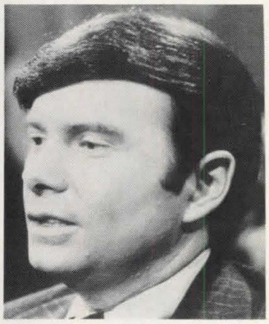
Although he also sees "no fundamental change" in Fed policies, bond specialist David Jones predicted that the longest and deepest recession since World War II will finally bring some relief in interest rates. Noting that the economy is in a "capital goods recession" rather than an "old fashioned inventory recession," Jones expects declining demand for credit by industry will lead to lower interest rates.

Jones, a vice president at Aubrey Lanston & Co. of New York, said the prime rate will fall in a "spiral-step pattern" to 12% by September and hit a low of 9% next spring. Mortgage rates will follow suit, he added, slipping to 15.5% by September, 14% next March and perhaps 13% by summer before edging back up again.

Santow sees little hope for deficit cut; predicts rates will stay high this year.



Tobin cites a severe lack of confidence that will tend to keep rates on the high side.



Jones foresees declining demand for credit by industry, hence lower rates.

Starts have hit bottom, he said, and could rebound more strongly "than you ever dreamed possible" in '83 and '84. "Eventually, housing will lead the economy out of the recession."

Santow, on the other hand, predicted that despite a relatively low rate of inflation, interest rates will defy conventional wisdom and remain high. "Rates are going to come down in three or four years," he said, "but not this year."

Neap tide in confidence. Confidence is the key to interest rates, added panelist Robert F. Tobin of Merrill Lynch White Weld. "Unfortunately, there isn't any." The lack of confidence "is so severe," he said, "that even with a significant drop in the inflation rate, mortgage rates won't come down much." Mortgage rates, which always lag short-term rates, "will lag even further" because of the confidence factor, he said.

"But one way or another," Tobin added, "rates will come down. Let's just hope it's a leadership decision. The alternative is a collapse."

Unanswered questions. The difference between this recession and others is the number of unknowns, Sumichrast said: What will the bottom line be when housing's financial intermediaries are finally restructured? Will the Fed back off from its tight money policies? Will industry continue to borrow "for their own greed?"

Nevertheless, there are "positive signs," he added. Inflation is declining, labor is more concerned now about saving jobs than bargaining for "every last nickel," and consumers are over the shock of record-high interest rates. On the latter point, the economist said that while 17% loans still go begging, at least homebuyers recognize that rates won't ever again return to the 6% to 8% level. "They know this is what it is and they have to live with it."

Sumichrast said that his "gut feeling" is that interest rates will decline "substantially" by the end of the year, and starts will return to an annual level of 1.2 million units by the end of the year, growing to nearly 1.5 million in 1983. —LEW SICHELMAN

Safety Net *continued from page 17*

crease both the risk and bother involved in people-to-people transactions and perhaps help to close home sales sooner.

Uniformity. NAR began the program in an effort to bring uniformity to this type of financing. Steve Candland, director of RNMA, says they expect to accomplish two things: "Decrease seller reluctance to take back financing and increase the liquidity of that financing in the secondary market."

Since January, NAR has been developing the program with major mortgage insurers. Coverage is now being offered with the requirement that the loan be underwritten and serviced by approved lenders only. This protective measure is necessary, says a spokesperson for Mortgage Guaranty Insurance Corporation (MGIC), because "these types of contracts often aren't put together properly" and that leads to greater risk.

90 percent limit. The maximum loan-to-value ratio permitted for insured seller financing is 90 percent, based on the lesser of sales price or appraised value. In most cases, the insurance will cover between 12 and 25 percent of the loan amount on first mortgages and 20 to 100 percent on second mortgages. —MARY A. RIORDAN

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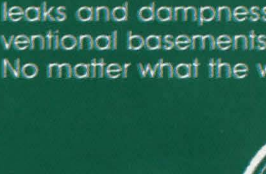

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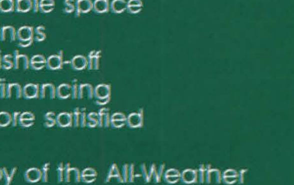

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It's official: Census spots changing lifestyles

Newly compiled statistics from the 1980 U.S. Census highlight what builder marketing studies have been signaling for some time—the changing social patterns in the nation's population that have implications for the kinds of products the industry should be building.

Although the number of family households increased 15.7 percent between 1970 and 1980, nonfamily households—that is, persons living alone or with non-relatives—rose 71.9 percent in the ten-year period. As a result, nonfamily households comprised 26.7 percent (21.5 million) of total households, compared with 19.7 percent in 1970. And most of those—85 percent—were persons living alone. Such growth reflects an increased number of separations and divorces, postponement of marriage by many young adults and greater numbers of older persons living alone after becoming widowed.

Another important statistic: Among the 30.3 million American families with children under 18 years old in 1980, 5.8 million (19.1 percent) were single-parent families. This number is up from 12.3 percent in 1970.

The census figures also reflect the growing tendency of women to work and to spend less time at home. The number of women in the civilian labor force increased by 14.1 million between the 1970 and 1980 censuses. Moreover, women with children under six years old were more likely to be employed in 1980 than in 1970: 46 percent in 1980 compared with 31 percent a decade ago.

Income (not adjusted for inflation) also rose in the past decade. U.S. median household income moved up to \$16,830, compared with \$8,486. After adjustment for increases in consumer prices, however, there was no significant change in median household income. Real income did go up on a per capita basis, however, because of the declining average household size. It grew more than 18 percent to \$7,313.

The census found that the 1980 median monthly housing costs for homeowners in mortgaged units increased by 112 percent over the 1970 figure—from \$172 to \$365. Although the median monthly costs for homeowners with no mortgage payment was a mere \$129 in 1980, that figure reflected a 115 percent increase over the 1970 cost of \$60.

Renters saw the greatest increase in their housing costs. The 1980 median gross rent (rent and utilities) was \$243, up from \$108 in 1970, an increase of 125 percent.

The number of occupied mobile homes rose by 84 percent from 2.1 million in 1970 to 3.8 million in 1980. Other types of housing also grew in the 10-year period. Households in single-family homes grew 23 percent, from 44 million to 54.1 million. And households in building with two or more units grew 29 percent, from 17.3 million to 22.4 million.

In 1980, 23.6 million housing units were centrally air-conditioned compared with 7.3 million in 1970, an increase of 225 percent.

—HERBERT CHESHIRE
McGraw-Hill World News, Washington

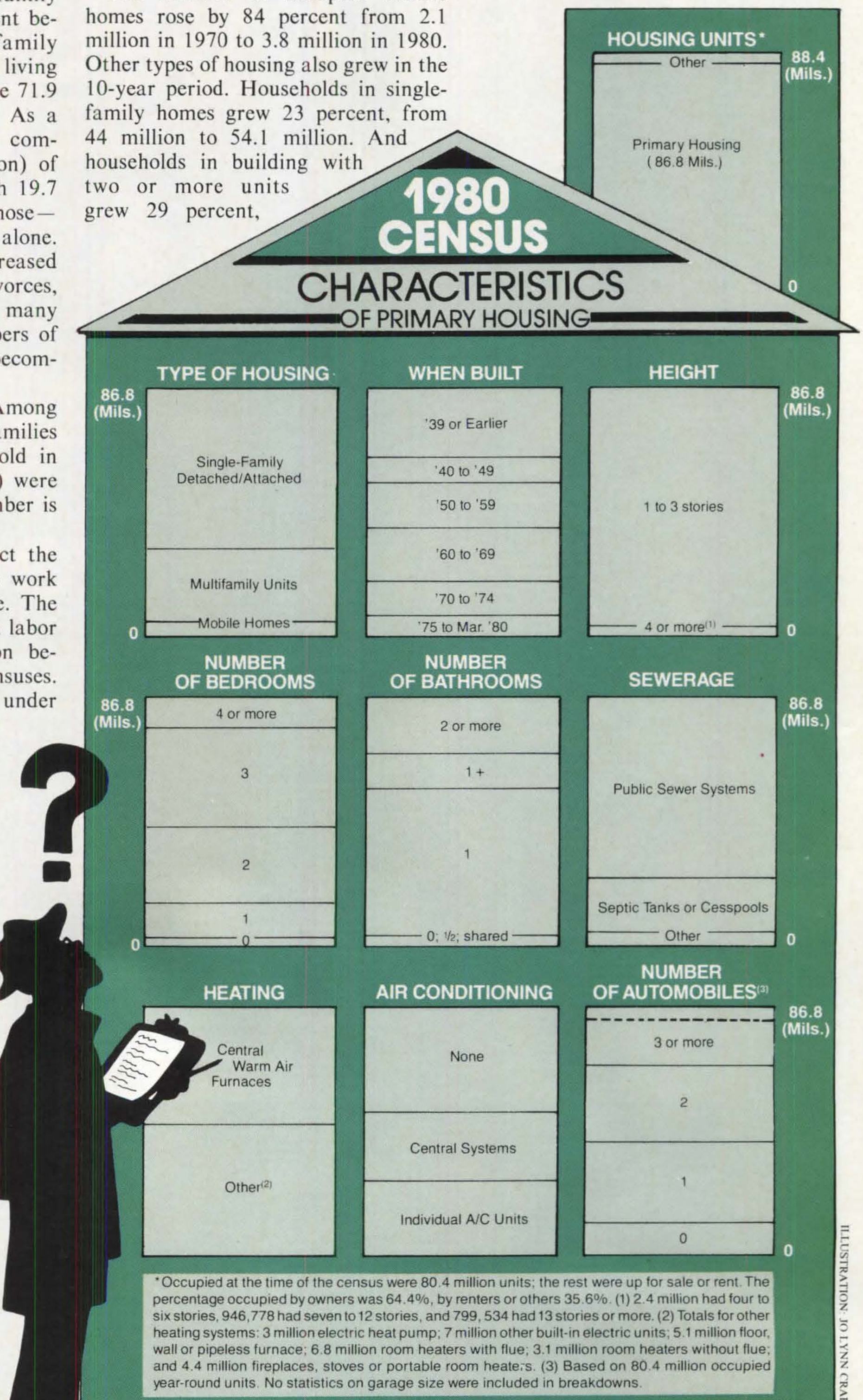

ILLUSTRATION: JO LYNN CRABS

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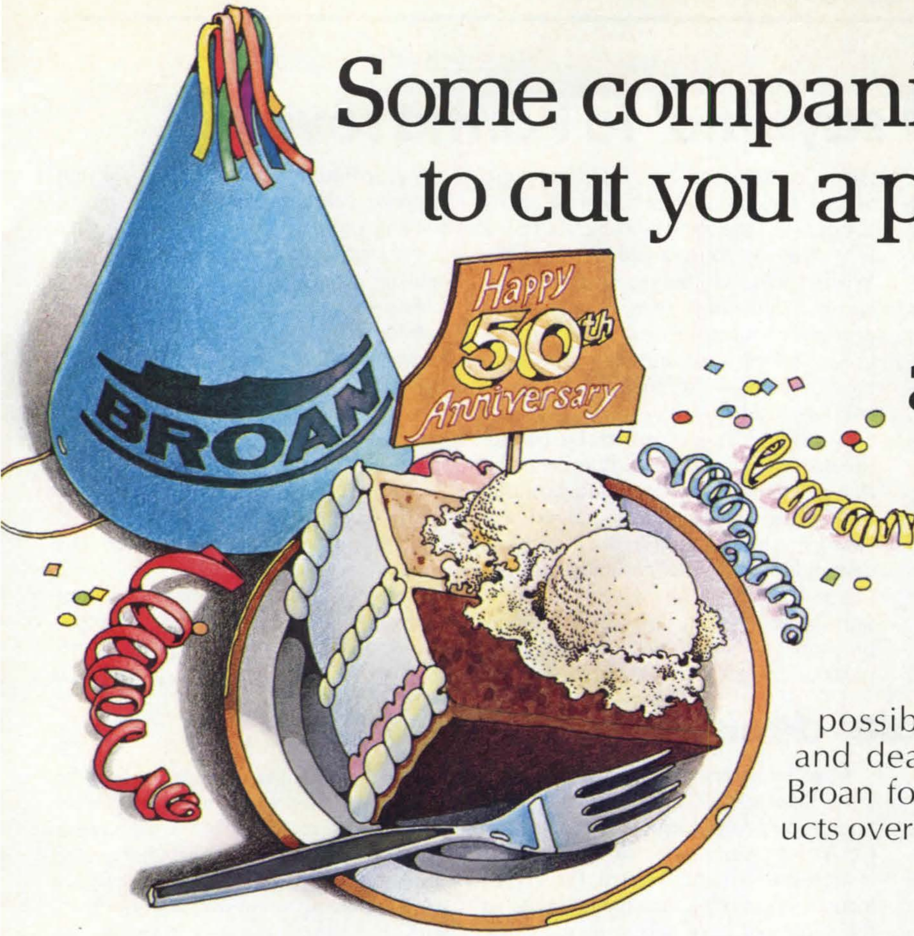

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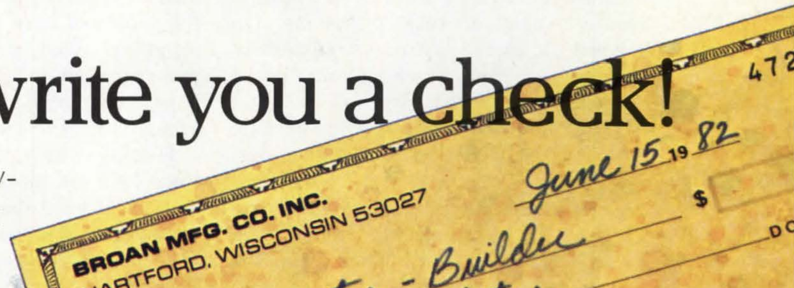

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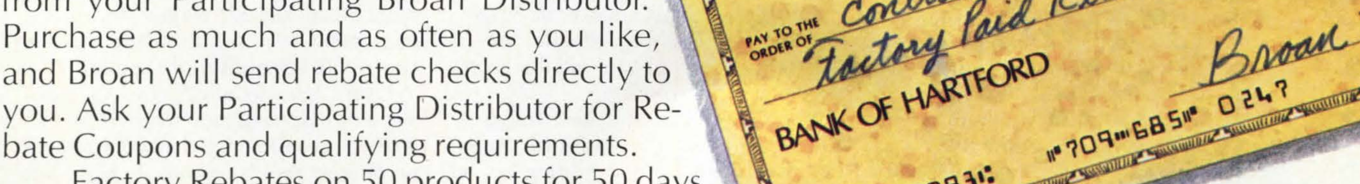

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Supreme Court says 'no' to Parma review...

There isn't going to be—for now—any national rule on how far courts can go in overturning local housing policy decisions in the name of stamping out racial segregation. The test case expected to clarify that question has been turned down by the U.S. Supreme Court.

The litigation—brought by the federal government against Parma, Ohio—Cleveland's largest suburb—attracted nationwide attention [HOUSING, Aug. '80]. But when the municipality asked the high court to take a close look at last October's ruling from the U.S. Court of Appeals in Cincinnati, not a single justice voted to set the controversy for oral argument.

The Justice Department's claim that Parma violated the 1968 Fair Housing Act was based on no single incident, but on the cumulative effect of many actions. On the list: the suburb's refusal to ask for housing aid money from Washington; its "unusually strict adherence" to zoning rules in rejecting a proposed housing project; and its failure to adopt a resolution that would have welcomed "all persons of goodwill" as residents.

But the most controversial aspect of the dispute was the remedy ordered by the district court—and substantially upheld by the appellate judges. Although the district court judge's demand that Parma be held to building at least 133 units a year of public housing was struck down by the Court of Appeals, its judges endorsed the parts of the court order that:

- wiped out the town ordinance that required voter approval of any public housing project;
- forced Parma to adopt a public housing program;
- set up a fair housing committee;
- demanded training for city employees in anti-discrimination laws;
- told the town to advertise that it is now following an anti-discriminatory housing policy.

Parma's unsuccessful bid to get the Supreme Court to consider the case was based on the theory that if, in fact, the 1968 law gives Washington the power to override local laws and force on municipalities programs they do not want, then the statute must be unconstitutional. —DANIEL MOSKOWITZ

McGraw-Hill World News, Washington

...but a 'due-on-sale' decision is coming soon

The Supreme Court is set to rule, however, on another matter of importance to homebuilders—whether the Federal Home Loan Bank Board's permission for S&Ls to use due-on-sale clauses overrides state laws limiting enforcement of such provisions. On April 28, at the last oral argument of its current term, the high court heard lawyers debate that issue.

At the hearing, the question became almost exclusively a battle of states' rights versus the power of the federal government. Justice William H. Rehnquist, in an unusually opinionated comment from the bench, said he doubts that Congress—when it set up the FHLBB in 1933 and gave it the power to issue regulations—meant to authorize it to intrude as deeply into local matters as overriding California's due-on-sale law. And, he insisted, "I see no evidence in the regulation of an intention to supersede state law."

Justice Thurgood Marshall, however, suggested that the federal government does have the authority to amend contracts written under state law, and Chief Justice Warren E. Burger worried aloud about whether Washington's obligation "to pick up the tab" when an S&L fails was enough excuse for dictating loan assumption policies.

The ruling in the case—which could result in a tie since Justice Lewis F. Powell Jr. is not taking part—is expected by the end of the month.

Other court decisions of interest to the industry:

A Connecticut scheme to **funnel below-market mortgage money to lower income families** has withstood a wide-ranging constitutional attack. Massachusetts-based Fidelity Guarantee Mortgage Corp. challenged the regulation of the Connecticut Housing Financing Authority that only those institutions with at least a three-year history of making mortgage loans in the state can have access to the CHFA program. That program, by using money raised by floating tax-exempt bonds, currently allows mortgages of around 13.5% to qualifying buyers.

Fidelity, which has been in business since 1977 but moved into Connecticut in 1980, argued that it is "at a serious competitive disadvantage" by not being able to tap cheaper authority money, and that there is no valid reason for the three-year experience requirement. Fidelity insisted its success in Massachusetts over five years should "establish its track record as a reliable mortgage lending institution."

But U.S. District Court Judge T. Emmet Clarie in Hartford found CHFA's reasons for the waiting period reasonable. The Authority said a lender needed three years of in-state operation to:

- prove its integrity and competence;
- become familiar with Connecticut laws and real estate procedures;
- establish that it was making "a serious commitment" to writing mortgages there.

Although there are severe limits on the kind of distinctions a state can make in regulating business, it has more leeway when it actually goes into business itself, Clarie ruled. As a source of mortgage funds CHFA has "the right of any trader or manufacturer to exercise independent discretion over those persons with whom he will deal." Although there might be some problems with rules that favor Connecticut mortgage companies over those headquartered elsewhere, the three-years-in-Connecticut rule applies to all, allowing some out-of-state firms with a history of operating in the Nutmeg State to use CHFA funds and denying them to some fledgling Connecticut companies.

An apartment owner's obligation in offering tenants **special prices when the building is converted to a co-op extends only to the inhabitants whose names are on the lease.** The New York Supreme Court ruled that an unmarried woman who had lived for seven years with a man who held the apartment lease has no claims during the conversion process, although she had contributed one-third of the rent.

Usury laws in effect when a mortgage is assumed, not when it is first written, are the ones that determine if **an interest rate is unlawfully high.** The U.S. District Court in Atlanta okayed an interest rate hike from 8.75% to 10.75%, even though the new rate is higher than that allowed when the mortgage was first issued. A new mortgagee's promise to pay makes the assumption a fresh transaction, the judge explained.

The Social Security Administration is acting properly when it reduces **welfare payments for tenants who rent from relatives at below-market prices,** but does not penalize those whose housing subsidy comes from federal programs. The U.S. District Court in Boston, in January, 1981, called the distinction unconstitutional, but the Court of Appeals (in Boston) at year end reversed that holding.


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Mortgage banking seen on the rise

CHICAGO—Everybody who's staying in home mortgage lending is ceasing to "hold their own" and is becoming a mortgage banker instead. At least, that's how financial experts gathered here last month at a meeting of the Mortgage Bankers Association of America (MBA)) saw it.

"Everybody's selling to the secondary market," said James F. Aylward, a Seattle mortgage banker and MBA president. He added that last year 50 percent of all U.S. mortgages made on one to four-family houses were sold by the originators compared to about 25 percent a few years ago. And Aylward pointed to a thrift institution in his hometown that is using a mortgage banking approach, and which last year showed a profit while most thrifts were knee-deep in red ink.

In Seattle, the Savings Bank of Puget Sound posted a profit of just over $6 million last year, said controller Dale Newzell. The bank holds $425 million in assets—loans—and it services "about that much" in loans it has sold, Newzell said. "We do hold onto some construction loans and [loans on] income properties, but we mortgage-banked all the residential single-family [loans]."

The same mortgage-banking setup has been created by federally chartered S&Ls through the vehicle of a service corporation subsidiary. John W. Delaney, executive vice president of City Mortgage Services Inc., a Seattle-based unit of City Federal Savings & Loan in Elizabeth, N.J., said the subsidiary is "a new type of organization." His mortgage banking business is good and growing, he added. City Mortgage Services has lending offices in 14 states—mostly in the West—and plans to open five new ones in the next four months, Delaney reported.

'Everybody's selling to the secondary market.'
—James F. Aylward

Non-believers. On the question of interest rates, economist Richard Peterson of Continental Illinois National Bank & Trust Co. said, "People really don't believe that inflation is licked," because there are widespread doubts that the Federal Reserve can hold to its course of slow growth in the money supply in the face of large federal budget deficits. These worries of renewed inflation will keep interest rates up, Peterson added. Another thing that dashes hopes of rates falling soon, said MBA chief economist Thomas R. Harter, is the prevalence of so-called creative financing in the mortgage market. This has created a "floor under the market that's going to keep long-term rates from falling dramatically," he says.

His prediction: Single-family mortgage rates will dip to an average of 15% in June, down from about 16% in May.

—DAVID GARFINKEL

WASHINGTON

Congress gets report on energy saving potential

Up to 7 quadrillion BTUs of energy could be saved by the year 2000 if energy-related retrofits—many of them low-cost and simple—were made to residential, office and commercial buildings in medium and large cities. But unless the cost of long-term financing comes down and building owners have more reliable information that energy conservation really pays off, the savings will go unrealized.

That's the message of a new report, "Energy Efficiency of Buildings in Cities," recently sent to Capitol Hill by the Office of Technology Assessment (OTA), a highly respected nonpartisan agency that advises Congress on the impact of technological change.

The report looks at a variety of urban building types from the perspectives of the energy auditor, the building owner, the retrofit contractor, the government staffer and the real estate financial analyst. It contains useful information for the homebuilder involved in a growing remodeling business, especially if the business is located in an urban area.

Short paybacks. Most of the investments discussed in the report would be paid back in less than seven years. In many cases, the retrofits could yield annual returns in excess of 30 percent. But the study finds that most building owners are limiting their investment in energy improvements to those that pay back in two years or less because of difficulty in obtaining financing. Another problem: The variation in amount of energy saved can be as much as 70 percent above or below those predicted, note the study's authors.

According to the study, 48 percent of all attached housing and 21 percent of all single-family units are located in urban areas. In the single-family homes alone 2.6 quadrillion BTUs could be saved if owners were willing to invest in retrofits.

Specifics included. The report deals in detail with several urban housing types, including small wood-frame houses, masonry homes and apartment buildings, providing a list of practical retrofit options for each building type. The study is not a how-to manual, however, pointing out that since each building is different, so will be the impact of conservation measures on it. Nevertheless, the study contains some useful data for the homebuilder/remodeler. Among them:

- Wall insulation is quite cost-effective for single-family homes, and a great many urban single-family homes don't have it or could use more. Roof insulation is cost-effective for those units with pitched roofs that enclose an attic. If you're remodeling a masonry building, think twice about installing wall insulation. The cost will be ten times as much as wall insulation for a frame unit if the cost is to save an equivalent amount of energy. Similarly, roof insulation in buildings with flat roofs is not very cost-effective.
- Both storm windows and double glazing are quite effective retrofit techniques for single-family and small multifamily buildings—especially in cold climates.
- Setback thermostats that can regulate temperature by time-of-use are among the most cost-effective improvements available.
- Large savings are possible from simple improvements to hot-water systems—a major energy glutton in the average home. Recommended improvements: vent dampers that shut automatically when the heater is off; flow control valves on showers and faucets; and insulation of the hot-water storage tank.

In addition to the detailed chapters on retrofit applications, the study also looks at government programs, especially in cities; the investment attitudes of building owners; and the role of utilities, energy service companies and financial institutions.

The report is available from the U.S. Government Printing Office, Washington, D.C. 20402 for $9. Specify stock number 052-003-00871-8.

—JANE A. SILVERMAN

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Managing the economy: A crisis of consensus

Ray Kennedy, president of Delta Faucet Co., Indianapolis, previously served several divisions of AMF Corp., first as controller, then as president. A degree in management and finance from St. John's University led him to concentrate on the financial aspects of management during the early part of his career.

Says Kennedy: "As a major supplier to the building industry, we must stay in constant contact with trends, conditions and regulations that affect our market. The machinations of the Federal Reserve Board and other regulatory bodies play an increasingly important part in our planning process—whether we like it or not. As a businessman, a taxpayer and an interested citizen, I feel a responsibility to speak out when the machinery gets out of balance and monetary policies become discriminatory in their applications."

In future chronicles of American warfare, historians are not likely to attach any significance to the date of October 6, 1979. Unlike December 7, 1941, and anniversaries of other cataclysmic military upheavals, the events of that quiet October Sunday in Washington, D.C. will continue to slip unrecorded in the memories of all but a few.

Yet in its own nonviolent way, it may come to be regarded as a sort of economic Pearl Harbor Day as its consequences re-echo through the lives and fortunes of every family—and the casualties among businessmen and wage earners continue to mount.

Historically, inflation has increased when the supply of money nationally has grown at a rate faster than gross national product. So theoretically, if the Fed concentrated on regulating the growth of the money supply according to specified targets, the rate of inflation could be controlled.

It was on that October day that Chairman Paul Volcker of the Federal Reserve Board announced a new grand strategy in the war on inflation. From then on, the Fed would regulate the economy by controlling the money supply in the form of reserves held by member banks. Guided by its Federal Open Market Committee (FOMC), the nation's central bank would accomplish this by buying or selling treasury bills or other instruments through its New York branch.

This new monetary theory of economic regulation does not concern itself directly with interest rates. According to its proponents, when the rate of inflation decreases (brought about by a reduction in the growth rate of money), interest rates will decrease. And rates will be depressed further, they argue, when the Reaganomic package of tax cuts, deregulation of industry and reduced federal spending takes effect.

'We can't build a plant, establish a price, submit a quotation or negotiate a contract without checking the pulse of the money market almost daily.'

The new strategy embraced by the Monetarists sounds logical enough. Yet, there is one flaw. It doesn't seem to be working.

Since its announcement more than two years ago, we are now in our second recession and interest rates remain as volatile as ever. According to the National Bureau of Economic Research, the expansion period preceding the current recession was the shortest since World War II, and one of the shortest ever in the bureau's chronology of business cycles dating back to 1854.

Prior to October, 1979, the Fed took a more pragmatic, flexible stance toward economic health. It operated according to a Keynesian philosophy which considered a number of factors as it formulated policy, including interest rates, employment and investment spending by both consumers and business. That approach saw its share of recessions as well. But back in those good old days, we could at least depend on a recession to bring interest rates down until the country worked its way out of it. This has not been the case with this new, 1980s' breed of recession.

To date, the Fed has not been consistently able to meet its targets for growth in the money supply. While it is true that the inflation rate is dropping, critics of the monetary strategy point out that interest rates remain as volatile and unresponsive as ever.

So far, the Monetarists have yet to prove the direct correlation between money supply and interest rates. Yet interest rates continue to be the single most important reality for American businessmen. We can't build a plant, establish a price, submit a quotation or negotiate a contract without checking the pulse of the money market almost daily.

Meanwhile, the debate between the Monetarists and the Keynesians goes on. And consumers, wage earners and businessmen are being asked to bite the bullet a little longer. Though we've grown a little cynical because of WIN buttons, seven percent guidelines and other stopgap measures that have failed, I believe the business community is willing to accept tough, yet reasonable measures to continue the war on inflation—if those measures are distributed equitably.

As matters stand now, those industries—homebuilding, real estate and automobiles—that depend upon availability of long-term credit to consumers are being forced to carry a disproportionate share of the load created by the Fed's anti-inflationary policies. In the building trades, the unemployment rate stands at 18.1 percent . . . more than twice the national average. Almost one out of five workers is out of a job. And conditions in the automobile industry are equally dismal, compounded drastically by its disproportionate impact on populous midwestern states. Additional thousands in ancillary industries—steel-making and building products manufacturing, for example—are also feeling the brunt.

Continued

I believe that President Reagan's program of fiscal responsibility, deregulation of industry and tax incentives for business and individuals is a correct one. And I certainly have no quarrel with the Fed's determination to use its power to bring inflation under control. But it should not be done at the expense of a small segment of the economy.

In the rush to adopt the concept of supply-side economics, Monetarists must remember that it was consumer demand that fueled our free-enterprise system and produced our high standard of living. Consumer demand and free-market competition have historically combined to stimulate production, improve product quality and create jobs.

Lee Iacocca, chairman of Chrysler Corporation, articulated this position in a speech to the Association of National Advertisers: "In an administration that preaches the gospel of supply-side economics, growth, investments, more jobs and more revenue—all of them correct policy—we have a monetary policy that says don't build, don't buy and don't invest. It won't work. You can't have a supply-side fiscal policy and a demand-side monetary policy at the same time."

The demand for cars and homes is unquestionably strong. It's time the Fed stopped thwarting that demand and reached a more workable consensus on the best formula for controlling its expression vis-à-vis inflation. Putting all our eggs in the money-supply basket without direct consideration of interest rates appears to be a risky proposition, based upon performance to date.

'Monetarists must remember that it was consumer demand that fueled our free enterprise system and produced our high standard of living.'

Some strict constructionists within and outside the government argue that the Fed today represents too much concentrated power in one autonomous body. It is not subject to constitutional checks and balances, and its performance is not subject to the approval of any electorate. Yet, because its decisions and actions touch every facet of our society, the bottom line of the Fed's policies is government by economic decree.

In my opinion, an independent Federal Reserve Board, unfettered by political pressures and special-interest lobbying, embodies our best hope for economic integrity. But that independence brings with it a responsibility to reassess the health of the economy on a continuing basis and to make tactical adjustments as needed. The boom-and-bust fluctuations of the past two years underscore the fallibility of a go-it-alone policy based on an experimental strategy.

If relief is not provided soon, the traditional dream of home ownership will be denied to millions of Americans who have worked hard for it. And the surgery to cure inflation might be successful; but the patient won't survive.

Whether you agree or disagree with Ray Kennedy, we invite your comments on his views. Write: Natalie Geradi, Editor in Chief, HOUSING, 1221 Avenue of the Americas, New York, N.Y. 10020. Due to space limitations, we reserve the right to edit any letters we publish.

ZEROING IN ON ZPMs

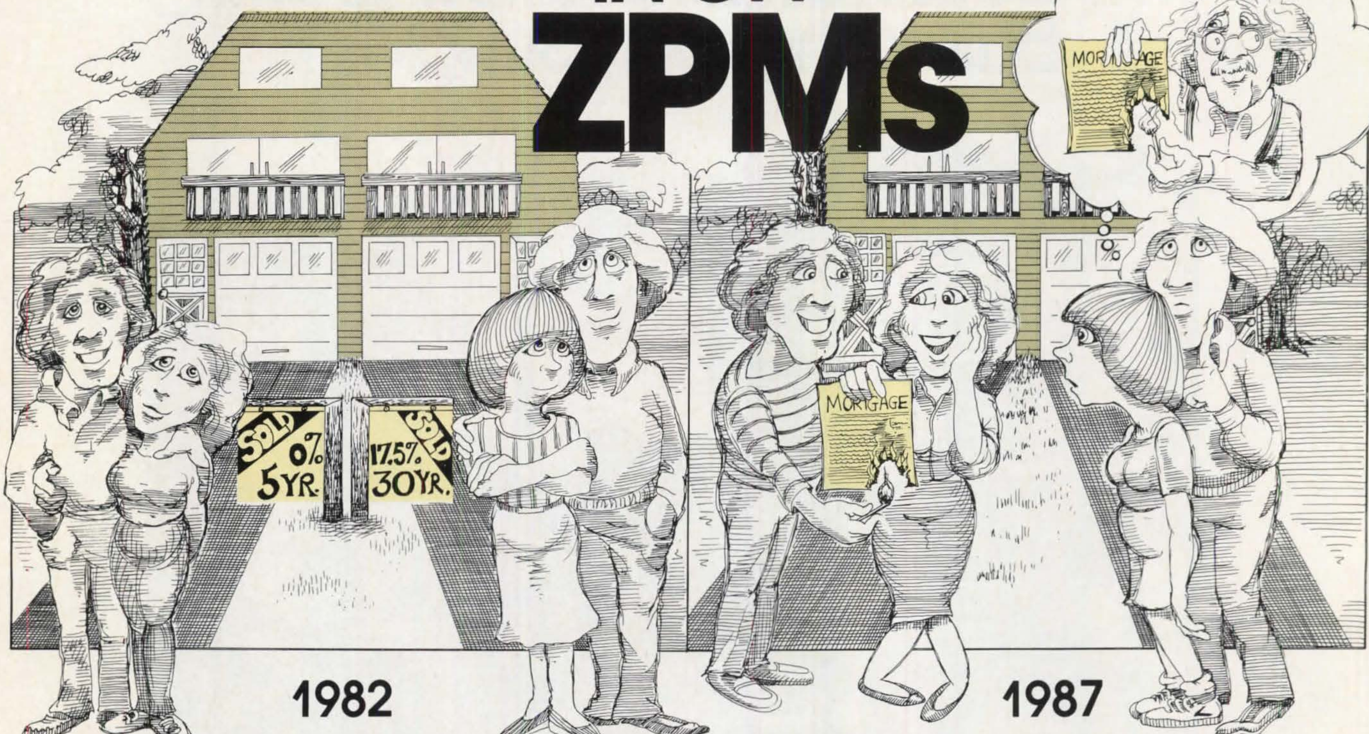

ILLUSTRATION: MARTHA GRADISHER

When they made their debut on the mortgage-finance scene late last year, zero-percent mortgages (ZPMs) were greeted with a mixture of enthusiasm and skepticism. On the enthusiastic side, they looked like the ultimate solution to the problem of high interest rates, a way to slash rates from 17% to 0% in one fell swoop.

But skeptics saw problems: The public might perceive zero-interest loans as they're also called as mere gimmicks. And even buyers who liked them could have trouble coming up with the substantial down payment—sometimes as high as 50 percent—needed to make ZPMs workable.

As more builders offered ZPMs, there were reports that the public's interest in them faded. But builders like Osprey Homes Inc. in Ft. Collins, Colo. claim otherwise. "People have gained confidence in the program," says Jim Firehock, an Osprey vice president. "There has been time to educate people." Firehock says he gets more queries now about the company's plan than when it was introduced.

Although it's unclear whether the barometer of public acceptance is rising or falling, this much appears certain: More zero-interest plans and variations on them are popping up, and buyers are still taking builders up on these plans. Yet, there are still important questions about zero-interest financing that have not been resolved, particularly the question of how much, if any, of a mortgage-interest deduction homebuyers are entitled to when financing a home with a ZPM.

Sundance Homes, Woodridge, Ill., has sold about 160 homes using zero-interest loans and offers what could be called the basic ZPM: The buyer makes a down payment equal to one-third of the price of the home and pays off the remainder in equal monthly installments over five years with no interest. With the high down payment and no interest being charged, monthly payments over the five-year term of the loan are roughly equal to what payments would be on a conventional loan made at today's rates. Sundance adds no premium or price increase to the home: The price is the same as with conventional or FHA financing, which Sundance also offers.

The advantages to the buyer are that the home is completely paid for after five years and the heavy interest expense paid under more typical terms is avoided. For the builder, the advantage is in moving inventory and, to a smaller extent, establishing a cash flow. But there are disadvantages. The builder is deferring his profit and tying up his money for five years. Finding a buyer who can put a third down may not be easy. Then there are the issues of whether the buyer loses the tax advantages that come with mortgage interest expense and who holds title to the home over the five years it's being financed.

Initially, Sundance sold its homes through an installment contract under which the buyer wouldn't receive title until after the final payment. Sundance had a title insurance company hold the title in escrow; but a builder could hold the title himself, leaving the homeowner vulnerable should the builder run into financial difficulties. Nancy Bush, director of operations for Sundance, said some buyers got the jitters over this arrangement, "so we switched from a contract sale to mortgage deeds." Buyers now close on a home and get a mortgage and title the same as with a conventional loan, except that the mortgage carries no interest rate.

As to the issue of the mortgage interest deduction, IRS regulations allow for an imputed rate of interest of 10% when there's no stated rate or if the stated rate is less than 9% on a contract sale, says David Adler, partner in charge of the accounting firm Laventhol & Horwath's Dallas office. "The imputed rate of 10% applies to the price of the home minus the down payment," says Adler. On the basis of the IRS provisions governing their zero-interest plan, Sundance's Bush estimates "22.9 percent of the buyer's monthly payment can be deducted" for income tax purposes. So for each $1,000 monthly payment, says Bush, $229 is deductible.

However, Adler says that, according to his interpretation of the section of the IRS code covering deferred payments, the tax deduction based on the 10% imputed rate applies only to those payments made more than six months after the transaction. "In other words," notes Adler, "if you bought a house in July (using a zero-interest plan), you couldn't take the interest deduction for that year."

The tax-deduction issue gets more complicated when a builder raises the price for buyers taking a zero-interest plan. Osprey, for instance, adds 10 percent to the purchase price for what Firehock calls Osprey's no-interest "un-mortgage." Under this plan, the buyer pays a 10 percent premium on the standard price, puts down 30 percent and receives a five-year interest-free loan. The extent to which that additional 10 percent is tax-deductible and how quickly it may be deducted depends on what the additional charge is called, says L&H's Adler.

"If you call the extra 10 percent prepaid interest," Adler contends, "then you can only deduct it as it's accrued over the life of the loan." However, if the extra 10 percent were considered points, Adler says the charge should, like points, "be deductible in the year paid." He warns, though, that to deduct the entire premium in the first year as points, the buyer has to prove the entire charge was paid in that year. Adler further cautions that the IRS restricts deductions for points to an amount considered common within the community where the transaction occurs.

The high down payment needed under zero-interest plans is probably the biggest obstacle in selling ZPMs to the public. True, monthly payments are steep, but at today's interest rates the difference in monthly payments between conventional and zero-interest loans isn't great, and the ZPM's payment could be lower *(see chart)*. Some new variations on ZPMs might help buyers get around that down payment obstacle, though.

McBride & Son Companies, a builder in Maryland Heights, Mo., has had success with a takeoff on a zero-interest plan that allows buyers to put as little as 10 percent down and still own the home free and clear after seven years. "We call it our mortgage burner purchase plan," says Rick Sullivan, a McBride vice president, "because you burn your mortgage after five, six or seven years." The plan works as follows: A buyer puts down anywhere from 10 to 50 percent of the home price. McBride then offers a five, six or seven-year mortgage. The price of the home is unchanged, but the company does adjust the amount of the mortgage depending on how much the buyer puts down. Say a buyer chooses a $40,000 condominium and puts 20 percent ($8,000) down. McBride will offer a seven-year loan to finance the balance, but will add a $16,000 prepaid interest charge to the loan. So instead of financing a $32,000 balance, the buyer finances $48,000—the balance plus the prepaid interest. Were the buyer to put more than $8,000 down, McBride would add less prepaid interest to the mortgage. McBride chose this method—adding to the mortgage rather than to the price—so buyers with higher cash down payments won't be penalized by paying the same premium as those with less cash to put down.

The numbers on zero-interest loans

The table below compares three financing plans offered by Osprey Homes Inc. of Ft. Collins, Colo. Figures assume a sales price on the home of $45,000.

	30-year loan	low-interest loan	zero-interest loan
Sales price	$ 45,000	$50,400*	$49,000**
Down payment	4,500	7,600	14,850
Loan balance	40,500	42,800	34,650
Interest rate	17.5%	9.5%	0%
Monthly payment	594.14	699.78	577.50
	(30 years/360 payments)	(7 years/84 payments)	(5 years/60 payments)
Total paid on loan	$213,890	$58,782	$34,650

*A 10% premium has been added to the $45,000 price.
**A 12% premium has been added to the $45,000 price.

According to Sullivan, McBride calculates an annual percentage rate on each loan based on the amount of interest prepaid. This rate, usually between 11% and 14.5%, is stated in the loan agreement and buyers are advised to take their interest deduction based on this rate, not the 10% imputed rate, says Sullivan. Sullivan adds that should the buyer pay the loan early, McBride will credit the buyer with a portion of the prepaid interest.

Sundance has also come up with a variation on its basic zero-interest plan so buyers with a down payment as low as 15 percent can qualify. The company gives the buyer a second mortgage for 18 percent of the purchase price to, in effect, bring the down payment up to 33 percent and the amount of the loan down to 67 percent of the purchase price, the same as in Sundance's regular zero-interest plan.

The second mortgage accrues interest at 18 percent, but no payments are made until the five-year loan is paid off. Then the buyer continues making his monthly payments which are applied to the second mortgage. Bush estimates this loan would be amortized within another five years.

Osprey also has a ZPM variation—a low-interest loan, which carries a 9.5% rate and a seven-year term. The buyer needs 15 percent down under this plan, and Osprey adds a 12 percent premium to the price of the home.

The appeal of ZPMs is partly financial: "An $80,000 house costs you $80,000," says Bush. "With a conventional loan, it's costing you three times that." But there's psychological appeal too. "It's the old thought people had of owning their home free and clear," says Rick Sullivan of McBride. Apparently, that combination of dollar-and-cents and psychological appeal crosses several market segments.

"We thought it wouldn't appeal to first-timers," says Sullivan. "But it did." When McBride introduced the program, the company was looking to second-time buyers who could bring equity from their first home and apply it to the down payment. Sundance also reports success with "first-time buyers getting help from parents with down payments," says Bush.

Firehock says Osprey finds the program appeals to older buyers, people in their 40s and 50s who expect to settle down in a home. Sullivan says preretirees are interested in McBride's plan because they can pay off the mortgage before retiring and eliminate the worry of making mortgage payments from a fixed income.

Short-term, zero-interest financing also attracts young couples with children, claims Bush, "so they can start saving for their kids' education." However, other builders note that the high down payment requirement coupled with the substantial monthly payments weeds out many young and first-time buyers.

Most builders expect the appeal of zero-interest financing to drop when interest rates do the same. At lower rates, monthly payments on conventional loans will be significantly lower than those on zero-interest loans. Nancy Bush, however, feels the appeal of zero-interest will endure despite falling rates. Rates may fall, she says, "but how can they ever go below 0%?" They can't, of course, the same as builders can't afford to subsidize their buyers without being compensated in some way. Even with the loan made at 0%, buyers will realize that somehow the cost of carrying a home must be passed along.

Still, McBride's Sullivan echoes the assessment of other builders when he claims that ZPMs and variations on them "will always appeal to that certain type of buyer who wants to own his home free and clear" within a relatively short period of time. —WALTER L. UPDEGRAVE

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NEW MORTGAGE OPTIONS

One way we help is with mortgage instruments that bring housing finance within the range of more buyers. We're Fannie Mae, the Federal National Mortgage Association. By purchasing loans from primary lenders, we've become the largest single source of mortgage money in the nation. Now we've developed a number of mortgage finance plans aimed at solving the affordability problem. Every plan features lower initial payments, making it easier for home buyers to qualify for mortgages.

BUYDOWN MORTGAGES

In a buydown, the seller, builder, the buyer's relatives, or even the buyer makes a lump sum payment to the lender at the time the loan is originated. This sum is used to lower the buyer's payments during the early years of the loan. Fannie Mae was the first national investor to qualify buyers on the reduced payments. In our new, expanded program, we will offer both temporary and permanent buydowns. The allowable temporary buydown period has been extended to 10 years, and the amount of the buydown may be considerably larger than in the past. In addition, Fannie Mae will purchase permanent buydowns, which reduce the interest for the entire life of the loan.

Fannie Mae is now purchasing mortgages that combine adjustable rate mortgage (ARM) plans and buydown provisions, further adding to the affordability of these loans. The terms of Fannie Mae buydowns are purposely flexible, to accommodate each individual situation.

GRADUATED PAYMENTS ON ARMs

An alternative method of lowering monthly payments in the early years of a loan is the graduated payment option on Fannie Mae's six-month, three-year and five-year adjustable rate mortgages. This means that a buyer is able to defer part of the usual payment to later years, thus reducing the initial monthly payments and lowering the amount of annual income needed to qualify for a loan.

LAND LEASES

Under land lease plans, buyers finance only their homes and rent the land with the option to purchase it at a later date. Down payments are lower and monthly payments are also often less than with a completely financed purchase. Fannie Mae now purchases mortgages with land lease arrangements.

A BUYDOWN VS. A 30-YEAR FIXED RATE MORTGAGE

LOAN AMOUNT: $67,000			**INITIAL INTEREST RATE: 16.5%**		
WITH A 3-2-1 BUYDOWN Annual Income Required: $37,200 Lump Sum Buydown Payment: $3,632			**WITHOUT A BUYDOWN** Annual Income Required: $44,100		
Year	Effective Interest Rate to Borrower	Borrower's Monthly Payment	Year	Effective Interest Rate to Borrower	Borrower's Monthly Payment
1	13.5%	$767.43	1-30	16.5%	$928.05
2	14.5%	$820.45			
3	15.5%	$874.03			
4-30	16.5%	$928.05			

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NEW STRATEGIES TO STAY ALIVE IN HOUSING'S STUBBORN RECESSION

Miracle of miracles, housing's public companies are riding through this housing recession in better style than during the '73-'74 downturn.

Make no mistake, the public builders are under pressure, as our annual survey of financial reports shows:

- Sales fell about nine percent for 33 large public companies while subsidiaries of industrial companies actually had a modest sales gain *(Table I)*.
- But earnings fell 59 percent because the companies couldn't shed debt and overhead fast enough.
- Unit deliveries fell 13 percent for the biggest producers but year-end backlog nosedived 36 percent atop a 27 percent backlog decline the year before *(Table II on overleaf)*.

Despite this steady diet of negative news, there's no panic and even an undercurrent of optimism among executives of the public companies. Now optimism is the *sine qua non* for a successful homebuilding company, but it can't explain fully these vignettes from a year when housing starts plunged to a post-World War II low:

Founder James P. Ryan of Ryland Group argued for a dividend *increase*. And though he was overruled by his board, the incident underscored Ryland's basic faith in a rebound.

Ryan Homes paid heavily, via a $2.6 million charge to earnings, to enter the HUD-aided turnkey apartment market, a market it believes has potential but hasn't been able to crack on its own.

For these and many of the public builders, this recession then isn't a test of survival but rather an opportunity to position their companies for the eventual housing rebound. Many of them believe that the public companies will continue to enjoy superior access to securities markets where a growing share of mortgage funds is being raised. The 1981 results give some credence to this view. Pulte Home Corp. chalked up the biggest gain in unit deliveries, up 13 percent to 5,500 homes, in 1981 to produce an 18 percent sales gain. Pulte earnings fell by about 20 percent to $9.6 million, however, with most of the decline tracing to heavier financing costs for buyers.

Pulte insists upon fixed-rate financing

Pulte's strong sales showing reflects a determination that it must be able to show customers the exact amount of every payment. This means avoiding adjustable or variable rate mortgages and all the other "goodies" created by mortgage men to hedge against inflation. "We don't do customers a favor by gambling on their rising incomes," says Chairman James Grosfeld.

The policy puts extreme pressure on Pulte's mortgage banking subsidiary, ICM Mortgage Corp., to come up with financing. Thus far, Pulte has found two workable buydown plans, mostly using FHA-VA plans that provide 60 percent of the company's sales:

1. Rising interest loans. Pulte finds it can sell with loans carrying an initial 13% to 13.5% yield, with the rate stepping up to market rates (15.5% to 16.5%) over three years. The cost of buying down such loans runs about six percent to Pulte, vs. 18 percent for more generous buydowns. Overall discounts on buydowns cost Pulte $13.1 million or 3.4 percent of sales.

2. Negative amortization loans. The buyer pays 13% interest the first year and 3% interest (i.e., the difference between 13% and the 16% market rate is added to the face value of the loan. Typically, this arrangement lasts five years. Chairman Grosfeld says negative amortization brings the face amount up to 112.5 percent of the original loan over five years, or only slightly over sales cost if the buyer puts up a 10 percent down payment. This means the buyer needs only 1.5 percent appreciation a year to break even on resale.

ICM Mortgage then packages the loans into mortgage-backed bonds sold via Wall Street brokerage houses. Both fixed-payment and rising payment loans are packaged into the same bond issue. The underlying loans have no prepayment penalties so that the mortgage banker (Pulte) gets the benefit of recapturing discounts if loans are repaid early. Should rates fall, prepayments could let ICM recapture some portion of the $34.8 million unamortized discounts.

Pulte's mortgage strategy lets it continue to serve the single-family market (83 percent of 1981 deliveries). Prices have been held on the low side, averaging $68,730 last year, up only four percent. Pulte builds in 161 subdivisions in 13 states with most sales in the Washington, D.C. area, Colorado, Florida and Wyoming. Denver and Baltimore operations were expanded during 1981.

Writer Corp. thrives on broker co-op sales

Writer Corp. of Denver reports an outstanding year with sales up 18 percent to $52 million and earnings up 23 percent to $4.7 million. "We have the same financing packages as everyone else," says Samuel P. Davis Jr., vice president-finance. "We've just been able to sell it a bit better."

The Writer secret is a broker co-op sales plan begun three years ago that has helped the company capture a big share of Denver's booming transferee market. "Many builders cut out their broker co-op plans in the good times and only use them when times are tough. We go the opposite and stay with the brokers all the time so they remember us," says Davis.

At one point in the dark summer of 1981, Writer was getting 75 to 80 percent of its sales from broker co-op referrals; it's running 50 percent in mid-1982. Writer's plan is simple: a broker brings a client to a sales office and introduces the client to a salesman. If a sale results, the broker gets 2.5 percent commission vs. the normal six to seven percent in Denver. "The local brokers have the transferee market tied up," says Davis. "We figure that if we get lookers, we'll get our share of sales." The strategy helped Writer increase local market share in 1981.

Writer's strategy also works because it has a diversified product line including cluster homes and townhomes at Ken-Caryl Ranch, single-families at Meadowglen, and all three product types at Willow Creek. Writer also builds luxury townhouse condos in the $220,000 to $380,000 price range at its Writer Square mixed-use project near downtown.

TABLE 1—SALES AND EARNINGS OF HOUSING'S PUBLIC COMPANIES

COMPANY & LOCATION	Year	1981 Sales (millions)	% Change	1981 Earnings	% Change
Aetna (Ponderosa Homes) Irvine, Calif.	Dec. '81	$141.0	−29%	[d]0.40	d
American Pacesetter, Newport Beach, Calif.	Dec. '81	67.5	−16	3.42	−41%
Braewood Development, Dallas	June '81	32.7	− 8	0.24	−81
Calprop Corp., Los Angeles	Dec. '81	5.5	−77	0.57	−84
Campanelli Industries, Braintree, Mass.	Jan. '82	37.4	−32	[d]1.35	d
Centex Corp., Dallas	12 mo. Dec. '81	454.5	− 8	8.40[b]	−49
Cenvill, W. Palm Beach, Fla.	Oct. '81	127.1	−30	21.24	+ 2
Christiana Companies, San Diego	June '81	40.3	+17	1.35	−45
Cheezem Development, St. Petersburg, Fla.	Jan. '82	22.9	−23	2.06	−50
City Investing, New York:					
General Development	Dec. '81	321.5	+15	39.00[b]	+17
Wood Bros. Homes	Dec. '81	350.9	+ 3	9.90[b]	− 7
TOTAL		672.4	+ 8	48.90	+11
Covington Technologies, Fullerton, Calif.	Dec. '81	23.4	−49	[d]2.88	Z
Deltona Corp., Miami	Dec. '81	235.0	+13	4.84	+ 5
Development Corp. of America, Hollywood, Fla.	Dec. '81	194.9	− 1	8.94	−39
Evans Products (Capp & Ridge) Portland, Ore.	Dec. '81	165.5	− 3	[d]13.06[b]	d
FPA Corp., Pompano Beach, Fla.	June '81	67.2	−38	6.68	−49
Fairfield Communities, Little Rock, Ark.	Feb. '82	115.1	+37	4.51	+32
Inland Steel Urban Development, Chicago	Dec. '81	109.0	+ 1	0.80[b]	d
Jim Walter Homes, Tampa, Fla.	Aug. '81	275.4	+ 2	55.78[b]	−16
Kaufman & Broad Inc., Los Angeles	Nov. '81	338.1	+ 4	26.39[b]	− 6
Key Co., Greensboro, N.C.	Oct. '81	14.3	−23	0.47	−47
Leisure Technology, Los Angeles	9 mo. Dec. '81	35.1	+20	0.38	d
Lennar Corp., Miami, Fla.	Nov. '81	168.1	−19	15.07	−32
H. Miller & Sons, Plantation, Fla.	Dec. '81	16.4	+24	1.22	+69
National Homes, Lafayette, Ind.	Dec. '81	76.8	− 8	[d]6.67	Z
L.B. Nelson Corp., Menlo Park, Calif.	Dec. '81	30.9	−48	[d]3.53	d
Olin-American, Pleasant Hills, Calif.	Dec. '81	87.5	− 9	0.03	−97
Oriole Homes Corp., Pompano Beach, Calif.	Dec. '81	47.5	−24	4.66	−44
Philip Morris (Mission Viejo, Subsidiary), Calif.	Dec. '81	163.6	− 5	22.90[b]	−25
Presley Companies, Newport Beach, Calif.	Jan. '82	115.0	−10	9.14[e]	−16
Pulte Home Corp., W. Bloomfield, Mich.	Dec. '81	383.5	+18	9.60	−20
Punta Gorda Isles, Punta Gorda, Fla.	Dec. '81	75.8	+15	1.34	−72
Ryan Homes Inc., Pittsburgh, Pa.	Dec. '81	380.8	−12	4.85	−69
Ryland Group, Columbia, Md.	Dec. '81	230.9	−11	3.02	−54
Shapell Industries, Beverly Hills	Dec. '81	188.5	−36	[d]9.68	d
Standard-Pacific, Costa Mesa, Calif.	Dec. '81	80.0	−34	3.36	−60
U.S. Home Corp., Houston	Dec. '81	982.2	− 9	10.02	−77
Washington Homes, Waldorf, Md.	July '81	22.9	−21	[d]0.32	Z
Del E. Webb Corp., Phoenix	Dec. '81	81.1	+ 2	6.68	−56
Weyerhaeuser Real Estate, Tacoma, Wash.	Dec. '81	407.2	− 1	6.85[c]	−68
Writer Corp., Denver	Dec. '81	52.2	+18	4.69	+23
TOTALS—33 full reporting companies		**$4,586.8**	**−10%**	**$110.4**	**−59%**
— 7 sales reporting companies		**2,178.4**	**+ 1**		
—40 companies		**$6,765.2**	**− 7% (weighted average)**		

b—Operating income before corporate overhead and taxes (Centex, City Investing, Evans Products, Inland Steel, Kaufman & Broad, Philip Morris, Jim Walter)
c—Earnings after preferred dividends (Weyerhaeuser). d—Deficit; no comparison if losses reported in either 1981 or 1980.
e—Includes $2.15 mil. gain on school site sale and $2.20 mil. gain on land sales (Presley).
f—Includes both Cenvill Investors and Cenvill Development Corp. for one quarter after two companies split July 31, 1981.
Z—No comparison, loss in both years. Percentages rounded to nearest full percent.

Condo sales are below expectations, although office and retail space has rented briskly.

Weyerhaeuser fills the gap with Sec. 8 apartments

Weyerhaeuser Real Estate Co. posted a one percent sales decline to $407 million even though unit deliveries rose one percent to 5,030. Single-family deliveries were off 21 percent to 3,180 but the gap was filled by an 85 percent increase in apartment production to 1,850 units. Most apartments are financed under HUD Sec. 8 programs and sold to limited partnerships upon completion. Looking ahead, WRECO sees enough backlog to keep apartment production strong through 1982, but funding uncertainties afterward cloud the longer term outlook.

Single-family markets are sluggish with Dallas and Houston being the bright spots. Like other builders, WRECO is forced to buy down mortgage rates to maintain affordability for buyers. Most buyers still want 30-year financing with limited escalators, if escalators are accepted at all. "The unknown makes buyers nervous," says an officer. WRECO isn't doing too much with negative amortization loans, finding most buyers nervous about future appreciation.

Devcorp downsizes for record Florida sales

Development Corp. of America pressed downsizing—begun several years ago—to enable its housing to post record division sales of $129.5 million. Unit deliveries rose two percent to 1,773 units and average selling price rose 12 percent to $73,000.

Units shrunk in size, mainly in the Broward/Palm Beach County markets of Florida, and a strong seller was an 825-sq.-ft., two-bedroom, two-bath unit priced at $40,000. DCA opened some units as small as 300 sq. ft. in Orlando.

Total deliveries were 47.5 percent single-family detached; 10 percent single-family attached, and 42.5 percent condominium apartments. Buyers are financed by FHA graduated payment plans, some conventional loans at market rates, as well as a few zero-interest sales to close out projects.

Continued

Ryland Group pushes into modular housing

Highly liquid Ryland Group is finishing its first modular housing plant in New Windsor, Md. and expects to ship about 100 homes by the end of 1982; capacity is 500 to 700 homes a year. Ryland says it can duplicate all existing production models in the plant, and hopes to serve markets in communities too small to support an on-site division. Founder James P. Ryan is personally leading the expansion into modulars. Ryland figures it isn't heavily exposed in the effort, since its on-site panelized units generate continuing volume ($231 million sales on 3,092 homes last year).

Ryland is rolling with the obvious shift to lower-end affordable units and about 25 percent of volume in its mid-Atlantic (Washington-Baltimore-Richmond) and Midwest (Cincinnati-Dayton-Columbus-Indianapolis) divisions are attached units. So far it hasn't introduced attached homes in Texas (Houston-Dallas) and Florida (Orlando). Ryland entered both Orlando and Charlotte-Raleigh, N.C. last year and reports both areas are already generating profits. Ryland cut its building time to an average 73 days and turned inventory 4.9 times in the year—among the industry's highest turnover.

Fairfield Communities surges on timesharing sales

Fairfield Communities, the Little Rock-based community developer and home-builder, posted a 37 percent sales gain to $115 million and a 32 percent earnings rise to $4.5 million largely on success of its expanding timesharing sales program. Fairfield began offering timesharing units in a serious way only two years ago and wound up the February 1982 year with nearly $34 million timeshare sales, double the year before and seven times the $4.8 million sales of only two years ago.

As a developer of seven recreational communities across the Sunbelt, Fairfield has the classic problem of installment-land-sales companies: Major amenities must be installed early in the sales program to stimulate sales, but many times these facilities are little used in early years because the community hasn't built momentum. Thus, Fairfield began timeshare sales as a way of making use of this idle capacity. Use of a home is divided into 50 weekly intervals, or timeshares (two weeks are reserved for maintenance), and each purchaser becomes a tenant in common with the others. So each year golf courses, pools, clubhouses, restaurants and other facilities in Fairfield's amenity package are used.

Fairfield has been carrying slightly over 70 percent of timesharing sales down to operating profit, but heavy sales costs of about 35 percent and overhead cut the pretax profit margins to about 30 percent. For example, when 50 weeks are sold for a unit at $5,000 each, total sales proceeds are $250,000. This unit typically would cost Fairfield about $75,000 to build, and salespeople would get about $87,500. Allowing for overhead expenses, such a unit would then generate about $75,000 pretax profit to Fairfield.

With numbers like these, about half of Fairfield profits now flow from timesharing, which only accounts for 23 to 25 percent of total sales. Timesharing sales have picked up slack in home sales at Fairfield's primary and retirement communities, notably Green Valley, south of Tucson, and Fairfield Sunrise Village in Tucson. Housing sales were flat in fiscal 1982 and recovery depends upon lower interest rates.

Ryan Homes pays up to enter HUD-aided multifamily building

Pittsburgh-based Ryan Homes bought the minority interests in The Dillon Co. after its venture into multifamily turnkey housing cost it $2.6 million or 38¢/share in 1981. Ryan bought a 50 percent interest in Dillon in August 1980 and made $3.5 million advances during 1981. But while Dillon could generate good backlog, it wasn't able to produce profits and Ryan absorbed the 38¢/share hit to earnings in 1981. In January Ryan bought out its partner for nominal consideration, to protect its investment and gain ability to reach previously unserved markets.

As has happened with many other public builders, Ryan's buyers have swung toward attached units and 30 percent of 1981 new orders were attached townhouses and garden apartments, up from 20 percent before. The changing mix contributed to a 3 percent gain in average sales prices to $55,460. With unit volume down 15 percent, sales fell by 12 percent.

Ryan Financial Services, the subsidiary mortgage banker, offered a variety of mortgage plans and found graduated payment plans the most popular for qualifying buyers. Not withstanding the publicity for variable rate mortgages, 58 percent of Ryan's 1981 loans were fixed-rate, fixed term.

U.S. Home broadens line, keeps prices down to sell

Amid the widespread handwringing about U.S. Home [HOUSING, Mar.] the company maintained rank as the No. 1 builder, delivering 14,308 homes last year, down 10 percent. The average price of homes delivered rose 1.4 percent to $64,900, putting U.S. Home well below the national norm. U.S. Home is dealing with the housing recession on a number of fronts:

1. Mortgage financing was supported strongly. U.S. Home paid nearly $80 million in mortgage discounts last year, or 9.11 percent of housing sales, easily the highest discount percentage reported publicly. During the year U.S. Home became the first U.S. homebuilder to raise funds via sale of mortgage-backed bonds and by year-end had offered $200 million of them, estimating they financed nearly 4,000 new homes. Buyers can finance either with a buydown program giving a three percent reduction in interest rates, or a program which allows buyers to delay the first payment several months after closing.

2. The product line was broadened. Attached townhouses accounted for 35 percent of deliveries, vs. 15 percent five years ago. U.S. Home says the average unit today is a 1,100-sq.-ft. home on a 55'×100' lot, has a greatroom combining dining and living space; fireplaces are customary and cathedral ceilings add spaciousness.

Moreover, U.S. Home is moving into three new product lines:

Retirement communities: It now builds in six active retirement communities in New Jersey, Maryland and Florida. Outside of Houston it is completing final site work, amenities and models for its 1,023-acre CountryPlace community to contain over 1,500 homes overlooking a golf course. Two other communities, Scenic Hills in San Antonio and Timber Pines in Spring Hill, Fla., also are scheduled to open this year and contain about 5,200 homesites.

Resort condos: In 1980, U.S. Home moved outside bread-and-butter basic housing and into resort condos; in 1981 it sold 571 condos for $36 million, or about four percent of total sales and over four times the 1980 volume. Typical projects are Sailport on Tampa Bay, Christie Lodge in Avon, Colo., and Villa del Sol in Corpus Christi, Tex. And all 1981 resort condos were modular units, giving U.S. Home experience in this area of the industry.

Retirement farms: U.S. Home bought 500 acres in southern New Jersey, about 25 miles from Philadelphia, and is developing five-acre sites laid out so that buyers can not only live there but grow vegetables, fruits and other farm products to meet basic food needs.

Lennar Corp. inventories convertible apartments

Lennar Corp. of Miami has a way of playing the soggy Florida market: It built about 1,200 apartments designed for either sale or rental. In today's market the units are rented as they come on stream. During its November 1981 year, Lennar built about 1,200 such units at a cost of about $28.9 million, or about $24,000 per unit.

The rents bring about 12 to 15 percent

TABLE II—UNIT DELIVERIES AND YEAR-END BACKLOG*

COMPANY	Year	Units Delivered	1980	% Change	Year-end Backlog	1980	% Change
Centex Corp.	12 mo. Dec. '81	5,991	6,244	− 4%	1,251	2,394	−48%
Cenvill	Oct. '81	1,591	3,196	−50	NA	NA	NA
City Investing:							
General Development	Dec. '81	2,325	2,303	+ 1	566	1,390	−59
Wood Bros. Homes	Dec. '81	2,360	2,363	0	662	739	−10
		4,685	4,666	+0.4	1,228	2,129	−42
Deltona Corp.	Dec. '81	1,309	1,727	−24	NA	NA	NA
Development Corp. America	Dec. '81	1,773	1,734	+ 2	766	1,157	−34
Evans Products (Capp & Ridge)	Dec. '81	3,168	3,907	−19	NA	NA	NA
EPA Corp.	June '81	712	999	−29	249	388	−36
Jim Walter Homes	Aug. '81	9,226	10,095	− 9	2,571	1,994	+29
Kaufman & Broad	Nov. '81	2,263	2,564	−12	NA	NA	NA
Lennar Corp.	Nov. '81	2,629	4,208	−38	623	2,534	−75
National Homes	Dec. '81	5,480	6,692	−18	NA	NA	NA
Oriole Homes	Dec. '81	567	946	−40	319	306	+ 4
Pulte Home Corp.	Dec. '81	5,500	4,874	+13	795	926	−14
Ryan Homes Inc.	Dec. '81	7,512[a]	8,851[a]	−15	1,664[a]	2,831[a]	−41
Ryland Group	Dec. '81	3,092	3,769	−18	697	1,330	−48
Shapell Industries	Dec. '81	880[b]	1,545[b]	−43	NA	NA	NA
Standard-Pacific Corp.	Dec. '81	618	1,033	−40	NA	NA	NA
U.S. Home Corp.	Dec. '81	14,308	15,821	−10	1,824	2,674	−32
Weyerhaeuser Real Estate	Dec. '81	5,030	5,009	+ 1	NA	NA	NA
TOTALS		**76,334**	**87,880**	**−13%**	**11,987**	**18,663**	**−36%**

*Mobile home units excluded.
a—Totals for Ryan Homes include deliveries to franchisees, builder-dealers, and owner-builders. b—Single-family only (Shapell). Percentages rounded.

net cash flow on cost without financing. But since Lennar financed its building mainly by drawing down bank debt, the units work out to be a modest drag on earnings and cash flow. When the market breaks, Lennar plans to begin selling the units at prices estimated at $65,000 to $75,000 per unit. It hopes the strategy will let it move quickly so as to take advantage of the sales upturn, hopefully beating any competition to market.

To generate current sales, Lennar is experimenting with the graduated equity mortgage, or GEM, plan. Under GEM, buyers agree to increase their monthly payments two percent or three percent each year, so that the loans are repaid in 12 to 15 years even though first-year payments are computed using a 30-year amortization schedule. Thus payments are fixed but provide for annual increases. But because lenders have their funds tied up a much shorter time, the loans qualify for lower interest rates and thus let the builder avoid costly buydowns.

Kaufman & Broad stresses joint ventures and mobiles

Kaufman & Broad, once the nation's largest builder, continued its shrinkage by selling its last land in Montreal, phasing out West German and East Coast operations (at a cost of $8 million), and reducing assets in Toronto and Chicago. This left K&B as a major regional homebuilder with operations centered in northern and southern California and France. Most unit production *(Table II, above)* was in these three areas.

To redeploy its assets and expertise, it established Kaufman & Broad Capital Corp. to provide equity capital to builders, initially in California, Texas and Florida. Joint venturing with established regional builders is seen as the quickest way to enter Sunbelt markets.

Manufactured housing is getting new attention and sales rose 19 percent to $98.9 million. Operating profit contribution of $5.7 million still pales compared to the $20.6 million generated by on-site housing. Still, K&B Home Systems produced 6,134 mobile homes in 1981 to rank among the top 10 producers. A new subsidiary was formed to explore practical application of site-delivered homes to community development.

City Investing pushes selling prices aggressively

The housing subsidiaries of City Investing Co. are invisible giants since their $672 million sales are consolidated into the company's $5 billion total volume. City's housing subsidiaries reported some of the largest price increases of the year, with average prices up 17.8 percent for General Development and 9.5 percent for Wood Bros. Homes.

General Development builds in seven Florida communities (Port Charlotte and Port St. Lucie are best known). While deliveries were flat at 2,325 homes, the average price rose to $62,900 because of stress upon upscale single-family detached units (priced to $190,000) and midrise and garden apartments and clustered villas in the $67,000 to $98,000 range.

Wood Bros. deliveries also were flat at 2,360 units but the average price rose 9.5 percent to $81,800. The builder maintained good margins even though closing costs hurt. Wood Bros. has focused new subdivisions in its markets—Denver, Dallas, Houston, Phoenix, Tucson, Albuquerque and Las Vegas—upon economically priced, higher density detached homes and townhouses.

City's Guerdon Industries mobile-home operation, now combined with Wood Bros. for administration, saw unit volume fall 13 percent to 10,611 units, reflecting a number of dealer insolvencies and unsold inventory buildup on dealer lots.

The key to survival: Adaptability and planning

Amid the turmoil of a disappointing year, leaders of the public builders haven't lost their ability to sift through the wreckage and chart new courses.

"Normal, as we used to know it, is gone forever," wrote President Malcolm M. Prine of Ryan Homes. "Innovation, resourcefulness and adaptability will be critical requirements for any homebuilding company to compete effectively."

But Kaufman & Broad Chairman Eli Broad said it best, and in bold letters on the cover of his annual report: "The World Has Changed and So Have We."

Kenneth D. Campbell, author of this report, has been observing and writing about the housing industry's publicly held companies for over 20 years. He is founder and president of Audit Investments Inc., of New York City, an independent investment advisory company specializing in real estate and related securities.

MERCHANDISING FOR HARD TIMES

HOW TO KEEP SELLING WHEN TRAFFIC IS DOWN

When prospects are scarce, there's a tendency to pull back—to resist spending money on advertising or a bang-up sales office. But successful builders tell us that's a mistake—that they're merchandising more aggressively than ever and that the extra effort is paying off in sales.

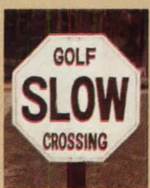
Some, for instance, have found ingenious ways to contact qualified prospects—many of whom don't bother to read the real estate ads anymore. Others have developed 'confidence builders'—programs that "cure" a hot prospect's cold feet. And many are investing more time than ever in training and motivating their sales staff.

Their know-how—and advice from a slew of merchandising experts—is collected on the next 31 pages. This comprehensive report covers everything from advertising and curb appeal, to model interiors and tips on selling upgrades and extras. Borrow these ideas to help you court today's reluctant buyers.

—THE EDITORS

Four years ago, Tam-O-Shanter, seen at left, was a subdivision in trouble: There'd been only 45 sales in six years. Then Arvida of Georgia came to the rescue: It bought the Atlanta community, changed its name to Willow Springs and sparked a sales revival—190 since 1979. The key to the turnaround? Arvida knows. . .

HOW TO CULTIVATE A



Sign language is more than a matter of telling prospects to stop at an intersection or to watch out for golfers crossing the road: Carefully coordinated routed-wood signs give Willow Springs a sense of community—and a prestigious look. Compare these "designer" signs with less stylish Tam-O-Shanter versions (sepia). Signs were designed by Roger Wagner of Arvida and produced by Rustic Graphics Inc, Roswell, Ga.

"BEFORE" PHOTOS: RON SHERMAN "AFTER" PHOTOS: STEPHEN CORD

WINNING IMAGE

Quick switch: Willow Springs sales signs are mounted on what will become mailbox post—complete with slot for newspaper *(photos, above)*. More rustic Tam-O-Shanter mailbox is pictured at left.

Arvida gets its message across visually—and quickly: Quality, stability and value are communicated by an impressive entrance *(above)* and by emphasizing curb appeal throughout the development—even down to ensuring that each spec house is well landscaped *(see page 45)*.

"A first impression is the only one our buyers may have time for," says Al Nash, Arvida's vice president/director of operations. "Eighty percent of them are transferees, who have to find a home in Atlanta during a weekend trip."

To measure the kind of impression prospects get of Willow Springs, compare the earlier Tam-O-Shanter entrance *(photo, top of facing page)* with the current one *(above)*. Not only is the newer sign larger, closer to the street and more colorful, but willow trees clustered around it help fix the project's name—and southern character—in prospects' minds. Those trees have another benefit as well—since willows are a fast-growing species, they rapidly gave the entrance an aura of permanence. (The "Springs" half of the name was chosen to link the development with Chimney Springs, another Arvida of Georgia success story, described in HOUSING's February 1979 issue.)

What's more, all signage elsewhere in Willow Springs is of the same routed wood *(see photos, left)*, creating a strong sense of community identity—an image builder that would work as well in many a smaller project as it does at 580-acre Willow Springs. Note that even street signs carry the willow-tree logo. Such attention to detail tips off prospects that houses are carefully constructed—and quality is important to them. Many are "higher-level" managers, in spite of their relatively young age (35 to 45). And they will spend from $150,000 to $250,000 for a house by one of the development's builders.

How are sales holding up? They're better than ever. "We had 21 in the first quarter this year," says Harry Hammond, vice president/director of marketing for Arvida Realty Sales Inc. "That means we're already ahead of last year's pace: We sold 63 in 1981."

—BARBARA BEHRENS GERS

FOR MORE IMAGE-BUILDERS, TURN THE PAGE

'Since we don't have model homes, the sales center has to show prospects what to expect'

House-like sales center *(above)* is a far cry from the unadorned trailer where Tam-O-Shanter salespeople labored *(far right)*. The pseudo-single-family house gives prospects a sense of the quality and character of the development's homes. (Two typical examples are shown at the top of the facing page.) Special care was taken with interior finishing, for example, as evidenced in the molding and wood flooring of the main display area, pictured at right. Such detailing has a psychological effect on Willow Springs' builders, too. "It subtly pushes them to keep their standards up to those of the sales center," says Harry Boone, director of residential development for Arvida of Georgia Inc. Note also that the sales center overlooks the 18-hole golf course (seen through the open doors in the photo at right): The old sales trailer was across the street and didn't take advantage of this amenity to merchandise the availability of many similar golf-course lots.

PHOTOS: RON SHERMAN

STEPHEN CORD

TED RODGERS

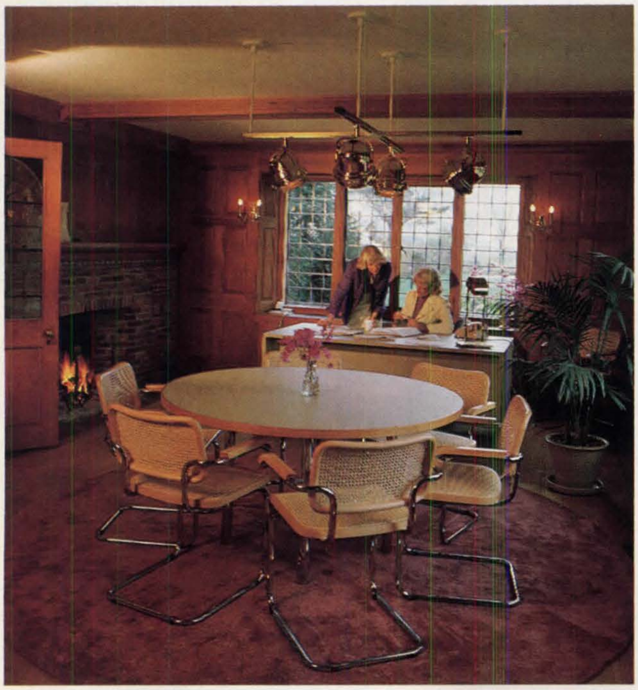
Top-notch landscaping enhances each spec house *(above left and right)*. Arvida convinced builders of the worth of upgraded landscaping when it ran a showcase of homes two years ago. "We required that the participating builders do extensive landscaping," says Boone, "and they saw how spending the extra money helped them sell." To encourage homeowners to keep their lots up to snuff, landscaping classes are held each year taught by an Arvida sales agent who used to be a professional landscaper. They're well-attended because transferees want to know what will or won't grow in Georgia. Builder of house above left: Billy Schultz Inc; builder of house above right: Johnny Long Homes Inc. Traditional-style homes like these predominate at Willow Springs.

Sprawling new clubhouse *(below)* replaced an inadequate—and visually unappealing—Tam-O-Shanter structure *(right)* built as a temporary facility. "We make a practice of delivering amenities like this on the front end," says Hammond. Clubhouse architect: Thompson Hancock Witte and Associates, Atlanta.

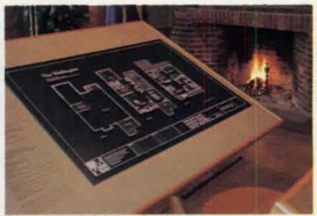
RON SHERMAN

TED RODGERS

STAGING THE CONCENTRATED SELL


Paneled closing room


Sample-storage cabinet


Floor-plan blueprint

TED EASTWOOD

Old-time-aircraft display

How to romance the 'Last Convertible' crowd

Remember them in their 1937 Packard convertible? They're the crowd portrayed in the bestselling novel and TV film of a few years back—couples who finished college at the start of World War II, went off to the war, came home to raise families and pursue careers and are now settling back as empty nesters. As marketing consultant John Scott sees them, they're homebuyers who respond to a low-key sales environment that reminds them of the past. Hence, Scott's scheme for the sales office *(above)* at Balbrae, a high-end condominium ($138,900 to $194,900) on a former estate in the Hartford, Conn., suburb of Bloomfield.

The office setting is a natural: one wing of the estate's mansion, built in 1928 by George Jackson Mead, inventor of the Wasp airplane engine and co-founder of Pratt & Whitney (now United Technology). His sons—William R. L., an architect, and Peyton, a surgeon—are Balbrae's developers.

Sales office displays draw on the history of the Mead family and the aircraft industry, both of which played major roles in the Hartford area. Examples: family photos, scenes from the estate, pictures of old planes. Old-style blueprints—each mounted under Lucite on a drafting table—show the plans of Balbrae's units. And materials samples are stored in the shallow drawers of a solid-oak architect's cabinet. Says Scott: "We wanted nothing on the walls because the original paneling is so beautiful." Sales-office cost: about $36,000.

Your sales office sums up everything prospects want to know—from who you are and what your product is like to whether the tastes of other buyers will be compatible with theirs. So it's essential to make every detail count—whether your aim is to woo a certain market segment *(below, left)*, add sizzle to a small space *(below)* or pre-sell sans models *(page 48)*.

"Hambledon" garage/office, Houston, Tex.—a display overview

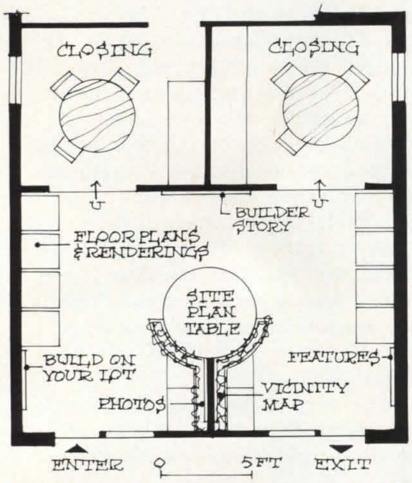
Topo table close-up

Landscaped exterior

PHOTOS: LEE EVANS

Casual seating, more displays—and the builder's story

How to put sales appeal into a garage/office



One way is to overcome what could be a put-off in a small space—lack of light. At the "Hambledon" sales office in Houston, for example, a skylight was installed to brighten the windowless display area of a 21′ 4″×22′ 8″ garage.

That provision for natural light also enhances the casual but high-toned atmosphere that is needed to attract a move-up market to single-family detached homes. Entering from the landscaped parking lot *(photo, above)* the prospect is greeted by a "Welcome to Hambledon" sign *(above left)*, and by photos of project residents and the surrounding landscape. A few touches add "warmth" to the office: One wall and the ceiling are panelled with stained, rough-sawn cedar; the topo table and other display fixtures are solid oak. Greenery trims the topo table and built-in benches.

Wall displays include sales-office "musts": the builder's story, a "locator" map, and a features list. Note how graphics are subtly coordinated around the corporate logo—and that the letter "J" (for A.V. Jennings, an Australian firm) forms one side of each wall display.

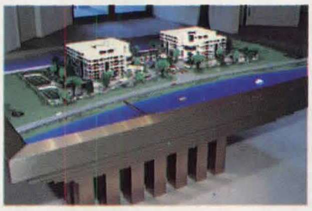
The floor plan *(left)* dictates a circular traffic pattern, guiding prospects around the topo table, past eight model displays—floor plans and renderings—and two closing areas.

This office was designed for $15,000 (excluding exterior signage) as part of a three-office package deal by the Quest Corp. of Houston, an on-site merchandising firm.

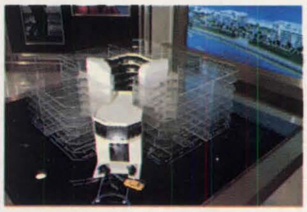
PHOTOS: FRITZ HUBLITZ

Sales office exterior: moat and landscaping; entrance on left

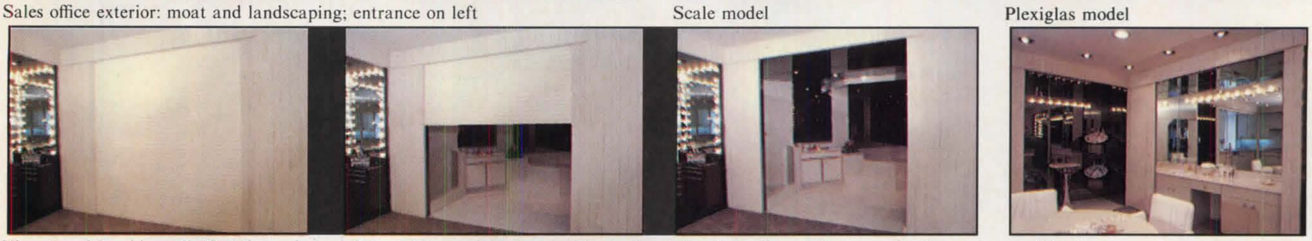
Sales office entrance: sculpture garden and bridge over moat



Scale model



Plexiglas model



Vignettes: Movable wall *(first three photos left to right)* reveals a standard bath; far right photo shows a lavatory display and second bath

How to establish credibility when you're preselling

With nothing in the ground, it's difficult to presell any product in today's market. But it's especially so with a project like Palm Beach Hampton in Palm Beach, Fla.: 81 luxury apartments in two beach-front midrises—and the average price is $680,000. Says Bernard S. Schreft, executive vice president of Greenman Corporate Consultants Inc. in Hollywood, Fla.: "We couldn't afford not to come in with the best possible presentation—because the market is so bad."

The result: our cover sales office, an elaborate pavilion that, maintains Schreft, "reflects the credibility and solidity of the developer and the project." Prospects approach the office through a modern sculpture garden and over a landscaped moat *(top photos)* that immediately establish an image of luxury. Likewise, imaginative interior displays—scale models and vignettes—are designed to show exactly what prospects will be buying. A scale model *(center)* explains the entire site. A second model *(center, right)*, made of Plexiglas, represents one of two planned buildings. The first-floor layout is silkscreened onto a mirrored, bronze glass base so prospects can see typical layouts. An "amenity core" (white corner of model) is removable, so that it's easy to visualize a high point of the building plan—a central atrium.

And because there's no model apartment, Greenman created a "threatrical" display: five room-vignettes behind roll-top doors controlled by the salespeople *(see photos above)*.

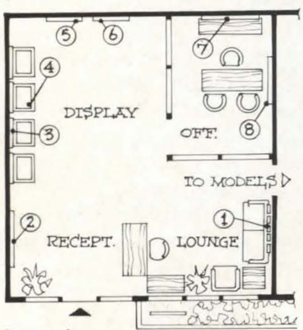
MERCHANDISING
POINT OF SALE BRIEFS

Here's a scheme for the budget conscious

The sum of $15,000 should be enough to equip a sales office for a small project—and pay for exterior signage as well, according to designer Gordon Danieli, Ocean, N.J. And the plan below shows how to fit the sales office basics that $15,000 pays for into a two-car garage.

Note that the sales manager's office, which doubles as the closing room, is glass-enclosed. This provides acoustical privacy without creating a boxed-in feeling. And a row of windows replaces the garage door, so there's plenty of natural light and a sense of openness in spite of the limited space.

Danieli also reminds budget-minded builders not to forget basic amenities—such as access to a restroom—when they're using pared-down sales centers. With a scheme like the one shown, a powder room in the attached model should be made available to prospects—and to the sales staff.



Legend:
1. community logo
2. location display
3. elevation renderings
4. floor plan displays
5. features and options list
6. builder story
7. color selection display
8. site selection display

Scale models spark sales

What prospect could forget a 2″-square TV set tuned into his favorite program? That's just one of the amazingly realistic details which characterize ½ in. to 1 ft. scale models like those shown above—displays which are a trademark of sales offices planned by The Marketing Directors, Toronto.

But the miniature models are more than talk-starters: They're often replacements for the "real thing."

"We use them in pre-sales programs when model units aren't available," says Director Susan Weinthal. "They're furnished to explain how spaces function, since most prospects can't visualize rooms just by seeing a floor plan; and they're decorated to appeal to different market segments."

The only problem areas: kitchens and baths. "They don't 'read' as well as the other rooms in the scale models," explains Associate Director Diana McMeekin, "So we try to include a full-scale kitchen and bath in each sales office."

The model in the top photo is from the sales office for 309 E. 49 St., a high-rise condo in New York City. Developer: Brefreis/49th Street Associates. The model in the lower photo above is from a Cadillac Fairview project in Toronto. Models are constructed by Architectural Dimensions, Toronto. Cost: $10,000 to $15,000 each (Canadian dollars).

Stage an appropriate opening-day event

English Tudor styling predominates at Desert Wind, a Universal Homes community of large, expensive houses in Scottsdale, Ariz. So B. J. Bay of Stricklan Communications & Marketing Ltd. came up with a pair of opening-day events that play on nostalgia: an English tea party and an exhibition of antique cars.

The May 16 events were advertised. But invitations were mailed to a select list—members of the local English Speaking Union and Classic Car Club, previous Universal Homes buyers and homeowners at the nearby McCormick Ranch.

Classic cars on display included a 1910 Franklin, 1911 Pierce Arrow and 1912 Overland. A hearty, and traditional, English tea—sandwiches, scones and trifle—was served by a representative of the Tea Council of the U.S.A. Other nostalgic touches: guards in Buckingham Palace uniforms, a horse-drawn carriage to take guests from the parking lot to entry gate.

Stricklan Communications & Marketing is no stranger to such promotions. In April, it staged a showcase of the visual and performing arts at the opening of a Dix Custom Homes development. In the following two weeks, Dix sold nine houses.

How to pre-sell a high-end high-rise

To merchandise a high-rise before it was built, Costain Limited of Toronto took space in a high-rise office building—a 10-minute walk from the construction site—to pre-sell 70 Rosehill, a 62-unit condo where suites of 2,050 to 4,100 sq. ft. will cost $500,000 to $1 million. The presentation center, decorated to typify a 70 Rosehill suite, includes kitchen and bath presentations, luxurious paneling, lighting and carpeting.

"There is hardly any traditional sales presentation except in the private closing office," says William D. Elias, whose firm, Ayliffe & Elias Advertising, handles the marketing. Early results: 40 reservations.

PHOTOS: JAWS

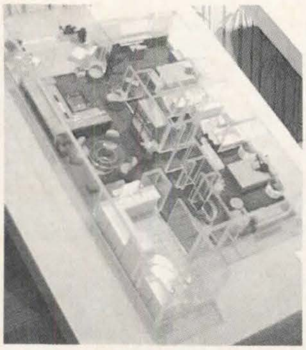
Let satisfied customers 'talk' to prospects

Kimberly *(above)* is only one of four happy homeowners pictured in the sales office at Riverbend West, a single-family development in Dallas. Joann, a homemaker, is another. "I had a checklist of things I was looking for . . . and J. Stiles offered so much more than anyone else," is part of her message.

"Such third-party testimonials have a lot of credibility," says builder Jerry Stiles. "Moreover, these displays are unusual, so prospects tend to stop and at least scan them, whereas 90 percent barely glance at the floor plan displays, features panel, etc."

Stiles can't say whether the photo displays, inaugurated last June, have made a difference in sales—but he can say that he's ahead of last year's pace: 32 homes were sold in the first four months of 1982.

Display designer: Rosenberg & Co., Dallas.



3-D plans: stand-ins for model homes

This one happens to be part of a Philadelphia display for a Florida development—FPA Corp.'s Delray Oaks West in the Delray Beach area. But the same approach could be used on site if you don't have full-size, furnished models. The 3-D plan, with all furniture in place, was produced by Gordon Danieli Design Inc. to show one of several condo apartments at Delray Oaks West. Units, sized from 1,200 to 1,450 sq. ft., are priced from $75,000 to $90,000.

A nice way to say 'Goodbye'

This sign is the last merchandising visitors see as they leave the sales area at Cadillac Fairview's Indian Spring community in Boynton Beach, Fla. It speaks for itself.

Seeing is believing

"Nothing a salesperson says and nothing printed in a brochure carries as much weight as something seen on a TV screen," says Susan Weinthal of The Marketing Directors, Toronto. That's why she recommends using a video cassette presentation, like the one shown above—especially if you're mounting a pre-sales program.

"When you don't have a product to show, an audio-visual display may be the only way to communicate a sense of lifestyle," she says. This may involve the use of "dummy" shots. A current presentation, for instance, includes a scene showing homeowners checking in with the project's concierge: The "lobby" behind the actors is a blown-up rendering.

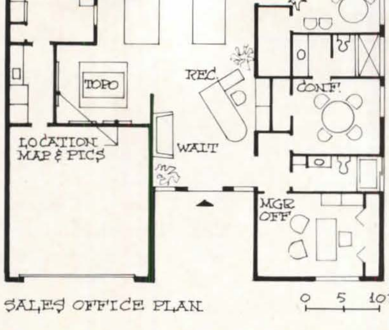
Weinthal estimates producing a video cassette would run between $20,000 and $25,000—less, she says, than a multiscreen slide show. And video has another advantage as well. "To show slides, you have to darken the room. That means the salesperson can't watch the prospects' reactions."

Here's a whole-house sales office

Only minor changes were made to turn the house *(plan below)* into a sales office at Arvida Corp.'s Millpond community in Boca Raton, Fla.

The kitchen and baths are unchanged, thus serving the same purpose as in a model home. A reception desk was added to the foyer. The dining and family rooms are used for displays—topo table, plans, and renderings and wall-mounted panels promoting Arvida, Boca Raton and south Florida. The bedroom wing houses offices and closing areas. And the house/office was sited to suggest a casual, indoor-outdoor lifestyle; its rear patio, furnished as an entertainment area, and swimming pool capture a view of a lake as well as southeast breezes.

As a house, the Millpond office would have 2,600 sq. ft. and sell for about $225,000.



SALES OFFICE PLAN

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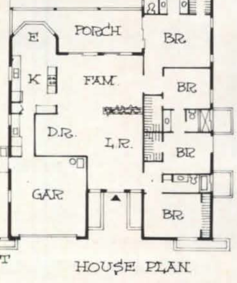
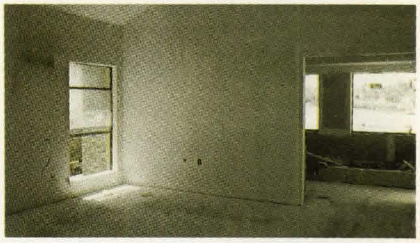


HOUSE PLAN

TALKING TO PROSPECTS WITH MODEL TELEPATHY



PHOTOS: LAURIE RUBIN

A touch of the unexpected can show prospects how to use space in a slightly different manner—and help them remember the model. Above, for example, a more typical location for the bed would be along the left wall. Instead, an angled sofa is set against that wall—adding a private lounge area to the suite.

Your most important sales message can be communicated without saying a word. The message· "You could live here." The medium: the furnished model. "It's the job of the interior designer," says Gene Dreyfus of The Childs/Dreyfus Group in Chicago, "to cosmetically treat a space so that it educates the buyer," shows him how that space can function and how it meets his needs.

And because lifestyles differ, the message has to come across in a variety of languages—so there's one each market segment can understand. The importance of model telepathy is evident here; "before" shots, included for each room shown, dramatize how noncommunicative empty space is—and highlight how The Childs/Dreyfus Group furnished each of five single-family models at The Trails in Dallas to fit a particular market. The contemporary bedroom above, for example, speaks to a young professional market. Other models, featured on the next three pages, are aimed at young family and at more tradition-minded, older markets.

Summarizes Dreyfus: "The interior design is a form of communication, an ongoing, wordless conversation with the buyer." —JENNIFER A. WAGNER

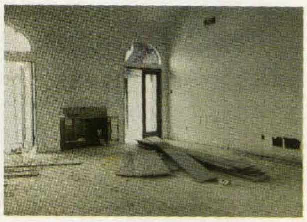
'They're reachers,' says Dreyfus of the young professionals this model is designed for. (Its master bedroom appears on the previous page.) "They want to exhibit their wealth and success." So they will be doing a lot of entertaining in the kitchen, game room and patio seen through the sliders top left. The open relationship within these areas is therefore emphasized by diagonally installed plank flooring that extends outdoors as diagonal decking. "And wood has a 'value' connotation," notes Dreyfus. "Putting it next to cabinets and appliances makes everything look expensive."

Wood cabinets, originally a dark tone, were restained a lighter shade: Keeping major elements light enhances the open feeling.

The living room shown in photo at left has a similar ambience, with beige/white coloring and rough textures unifying the space. The mirror strips above the fireplace and cream-colored, vertical cedar paneling emphasize ceiling height. The dark brick installed above the fireplace in the "before" shot was panelled over because, says Dreyfus, it "came at you" and made the room seem smaller.

PROJECT: The Trails at Old Shepard Place, Dallas
ARCHITECT: Danielian Associates, Newport Beach, Calif.
BUILDER: The Talmadge Tinsley Co. Inc., Dallas
INTERIOR DESIGNER: The Childs/Dreyfus Group, Chicago

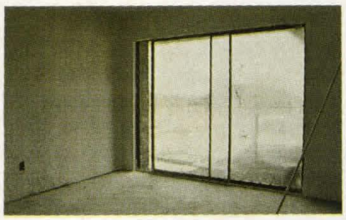
PHOTOS: LAURIE RUBIN



Classic appeal of formal decor is a must for the more settled Dallas market. The model shown here is aimed at the empty-nester or adult family. But before furnishing *(see above)* the living room seemed too big: "The ceiling was so expansive and cold," says Dreyfus. "Installing beams vertically as well as on the ceiling makes the room seem less cavernous." The mirror treatment above the fireplace helps warm up the space by reflecting sunlight from the skylit entry.

The signs of affluence are many: The wood-framed French doors, fanlights, dark parquet flooring, marble fireplace surround and wetbar. "These are all things that make the mature buyer feel as if he's arrived."

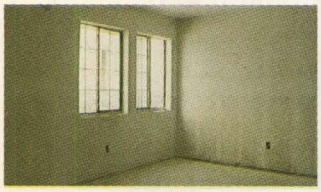
The game room at left is a converted second bedroom—a likely alternative for this market. Crown molding is a key detail, providing a formal, custom look that empty-nesters appreciate.



Indoor/outdoor living—a theme that pervades The Trails—is emphasized in this model. Also designed for more settled buyers, it has a less formal feel than the model shown above. Thus glass walls open up a country kitchen and informal dining area to a patio with a swimming pool. *(photo, facing page)*. To frame that view, The Childs/Dreyfus Group downplayed the height so characteristic of these rooms. Decorative beams and the plate rail above the sliders and corner windows keep the eye level down.

The living room *(left)* is more formal, but it remains casual and easy to maintain. The open feeling is enhanced by floor-to-ceiling windows dressed with light drapery, a "see-through" table and the mirror application in the right corner, which reflects in the patio view.

Note upgrade features in both rooms: modular cooktop, quarry tile and brick accents. All appeal to comfort-minded, maturing family market. And that tile is the same used in the kitchen, thus visually relating formal and informal living areas.

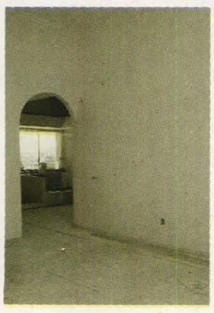


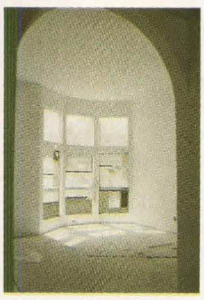
Multipurpose appeal is the attraction here for younger prospects with a growing family. A no-nonsense child's bedroom at left incorporates a variety of functions: study area; storage; library; reading chair; music center (not shown). The bed is a trundle model for use when guests arrive. "Function must be proven to the buyer," says Dreyfus. Even the shutters are more than decorative: They screen a view of the roof.

PHOTOS: LAURIE RUBIN

Cozy retreat shown in photos at left and below caters to an affluent empty-nester market. The furnishings of this master suite create an environment typical of that which the wife of such an empty-nester couple might create for herself, using wicker, antiques and frills. "When she walks in," explains Dreyfus, "the room says 'charming' rather than 'important' "—which is the message signalled by the functional, contemporary master bedroom shown on page 51. "This is a romantic room. The couple can come here at night, close the door and forget their responsibilities."

That 'romance' and coziness is achieved in a deliberate manner, however. The volume so apparent in the "before" photos below was downplayed: A small-print pattern covers walls and ceiling and helps to close the room in. Complementary drapery in the bathroom, bedroom and angled nook *(below)* tie the suite together visually. Large-scale molding also reduces the apparent size of the rooms.





Carole Eichen was one of the first interior designers to concentrate on model homes, and in the sixteen years she's been in business, she's learned much about surviving the ups and downs of the housing market. Here are Eichen's

10 COMMANDMENTS FOR TOUGH-TIMES MERCHANDISING

1. KNOW THY MARKET

There's never been a time when know-everything-there-is-to-know market research was more critical. If you, the builder, and your merchandiser have not put in extra effort to find out exactly who your prospective buyer is and to know every one of his "hot buttons," the weekly sales reports will show you guilty of a deadly sin—not following the first commandment. Missing the market is the single greatest problem plaguing developments that have everything going for them but aren't selling as they should.

2. KEEP YOUR BALANCE

Let's say your product is solidly middle-of-the-road, in a moderate-income neighborhood. The last thing you should do is dress up your models in trappings more befitting housing selling for $200,000 and up. Cut the scope and scale of your model decor back to what is *believable, achievable and practical* in terms of your buyers, their income level and your product—or suffer the consequences.

3. SIMPLIFY, SIMPLIFY, SIMPLIFY

Your buyer is looking for value these days, so don't hide the basic quality and value of your units behind layers of window dressing: You run the risk of wasting a lot of money and alienating potential buyers if the merchandising of your models overwhelms the product. Just as you wouldn't want Louis XIV-style furniture in a nice, snug little Cape Cod or ranch-style unit, you don't want to confuse your buyers' senses by cluttering up the interior with too many add-ons. Posh designer features *can* be marvelous—but only if your product, location and market call for them.

4. MAKE IT MEMORABLE

Sales-generating merchandising, these days, is the kind that makes your potential buyer smile the moment he or she steps into the model. That smile is almost as good as money in the bank, because it means you have kept merchandising in balance and geared it to the market; you've stripped it of confusing elements; you've given the shopper the *security* of seeing where the quality and value lie; and you've done all this within a merchandising plan that stimulates a feeling of warmth and goodwill. These are the elements of positive memories—memories which make buyers come back a second time, checkbook in hand.

5. MAKE IT LIGHT

For close to a decade, nostalgia, in one form or another, has been the order of the day. To be sure, there are many potential buyers out there who love English, French or American Country decor or go ga-ga over Neo-Victorian. But there's a groundswell of interest in contemporary interiors because they're light, bright, clean and anything but confusing. The lighter scale of a contemporary look seems to have a positive effect on our perceptions; it picks them up, gives them a lift—just the mood sales-generating merchandising must stimulate.

6. SHARE THE WEALTH

Let's say your model merchandiser has come up with a built-in that turns a ho-hum living room into something marvelous. You'll probably be bombarded with requests—from casual shoppers, buyers who are vulnerable to remorse during escrow and friends of the same—for sketches, plans or the stain colors for the built-ins. Share and share alike. Make the measurements, stain colors and sketches available, even to those who definitely aren't in the market. The friend you make today has other friends, or may be in the market to buy in six months, or may need some special attention to keep from bolting escrow. The extra mile you go right now by sharing your merchandising "secrets" can put you in front of the pack for a long time to come.

7. REMODEL WHEN NECESSARY
8. SAVE THE DOLLARS YOU CAN
9. CUT YOUR LOSSES

Across the country, there are scores of intrinsically saleable tracts languishing for buyers because their merchandising is off the mark. The logical remedy: a merchandising re-do by a proven professional who can adapt your models to the right target market.

Re-dos aren't inexpensive, but they cost less in the long run than buyer-alienating mistakes that go uncorrected. Do, however, seek a fix-up merchandiser who knows how to salvage as much as possible from your models. Your floorcovering will likely be saved; draperies almost always can be. Hardware, at least some if not all lighting fixtures and mattresses and boxsprings are other "saving graces" that can help you salvage a hunk of your initial merchandising investment. Budget-conscious model re-dos will also mean more paint, less wallpaper and the like. The cost-and-sales-conscious "re-merchandiser" will keep an eye on your bottom line as well as to redirecting your models to the appropriate market.

What about the remnants of the original merchandising? No one can promise that you'll recoup every cent, but you should at least get back some of your investment by selling the furnishings discarded by the "re-merchandiser." You might want to make the buyer of a production unit a special turnkey deal; or toss a sale for employees, owners or prospects on your "hot" list; or advertise a "remodeling sale"; or investigate a local auction—or hold one of your own. You probably *won't* want to keep the furnishings for some future product: If they were so far off for this model complex, they likely won't be any closer to the mark next time.

10. CHOOSE 100%-PLUS CONSULTANTS

Troubled economic times change all rules of the game. Every member of the development team—and this includes your merchandiser—must be ready, willing and able to give you 10 percent to 20 percent more time, creativity and effort than the norm.

This means your merchandiser should devote more time than ever to market research . . . to "designer day" seminars on site . . . to promotional activities with your local newspapers, television stations and city magazines . . . and to keeping your models fresh, to the market and current.

Expect this now as part of your merchandiser's overall scope of services. After all, the business of the merchandiser is to help you sell houses. His or her "payment" for this extra time and attention will be your sales success—and the establishment of a relationship that will be mutually successful for many years to come.

YOUR SALES STAFF CAN BE YOUR

1. TRAIN SALESPEOPLE TO HANG IN THERE AND WORK A LITTLE HARDER

Training your salespeople keeps their morale up and offers them that extra edge needed to close a sale in today's market. And, indeed, you'll not only have to review basics, but add some techniques for dealing with prospects who are sure they can't buy.

Following are the highlights of a sales training session conducted by Tom Richey, president of T. Richey & Co., Houston. For the photos, Richey acts the salesman. Prospects: Paul Frisch and Laura Craig, salespeople for Ray Ellison Homes, San Antonio.

1

2

1. Get away from your desk. Open the door and greet your prospects. Your job is to sell yourself, your location, your company and, finally, your product—in that order.

(The sequence that follows assumes fairly light traffic—which means you'll have to work harder to convert each prospect into a sale.)

3

2. MOTIVATE AND COMPENSATE SALESPEOPLE SO THEY DON'T COP OUT MENTALLY

Nowadays, it's a tough sell just about everywhere. Yet even in markets as depressed as Chicago, some builders are moving homes in fairly large numbers—and not just to corporate transferees and the "recession-proof" high-end market. A large measure of their success, they say, is due to the way they motivate and compensate their salespeople.

In interviews with a score of sales managers, this conclusion emerged: If you want to hold onto your good salespeople, you can't sell them short just because times are tough. You've got to keep morale high.

"In normal times, you set goals for your salesmen and you push-push," says Richard Levine, vice president, H.H. Miller & Sons (Central Florida Division) in Altamonte Springs. "But in times like this, a salesman needs as much reassurance as he can possibly get."

"We have never conceded that times are bad or different. We don't talk about that," says Nelson Holz, sales manager of Al Hogan Builder Inc., Victoria, Tex. His sales staff of four sold 150 houses last year, ranging from $50,000 to $250,000; this year, a staff of seven is aiming to sell 200 houses, including some from a new project in Corpus Christi. Still, he concedes, it's a mistake to turn a blind eye to the world when talking about the market. He's against "making the sales force believe that everything is great and there are no problems. You just can't give them a lot of bull."

William A. Cheseroni, formerly head of NAHB's marketing department and now director of corporate marketing for J.E. Robert Co., Alexandria, Va., says, "I think the number one responsibility is maintaining morale among salespeople. They talk among themselves about doom and gloom." With a tougher market, says Cheseroni, "salesmen have to sell again. Three years ago they could just sit down and take orders."

Money isn't the only motivation

Most companies surveyed say salesmen are motivated by one thing only: money. But during a downturn, when money is hard to come by because prospects aren't buying as willingly, there are numerous things builders do to compensate:

1. Hold contests. These work better in markets which are still relatively alive, of course, and there's the possibility of strong sales if salespeople are sufficiently fired up. At Dondi Marketing in Dallas, for example, Michael Sugrue, company president, ran a contest whereby his salespeople could win a trip to Hawaii. "When one salesperson calls another on the phone, he says 'aloha' to get him pumped up," Sugrue says.

Broadmoor Homes, San Diego Division, is running a 12-week contest called "go for the gold." To move about 300 units in the $104,000 to $200,000 range, Marketing Director Susan Shook and Sales Director Donna Thomson offers the 10-person sales team these incentives: For weekly sales to-

BEST ASSET IF YOU...

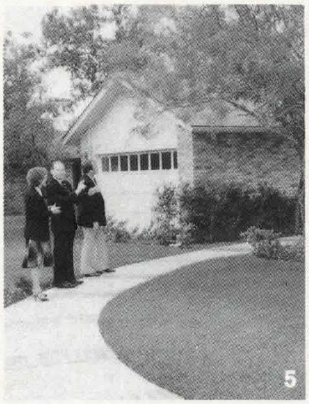
2. Start with what Richey calls "the unburdening." Take the prospects into your office, offer them a soft drink or a cup of coffee, and have them tell you what they've seen, what they've liked, where they're living, how long their lease will run, what they've budgeted for housing. Get them to describe their dream home.

You're trying to accomplish two things: first, to signal that you're not going to hard-sell, and second, to create a positive attitude before the prospects see the models. They won't relate to them unless they think there's a chance they can buy.

3. Now you can get into selling location. Talk about benefits, not features. If they ask where the fire department is, say it's five miles away *with a response time of nine minutes*. Break your presentation into a discussion of the general region, which might include shopping centers three to five miles away, the general neighborhood—within a one-mile radius—and the immediate area.

4

4. Prospects will want to be sure that the builder will be around long enough to honor his warranties, so establish his credentials. How long has he been in business? What civic activities does he participate in? What other communities has he built? Root out any negatives prospects may have by asking: "Do you know our builder? Do any of your friends live in his homes?"



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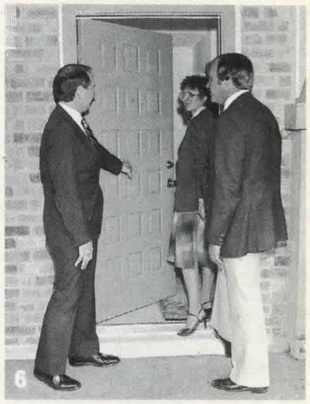
5. Most people will be anxious to get to the models, so skip the floor plans at this stage. Also hold off giving out the brochure to make them come back to you.

Remember, you can't sell without demonstrating, so try this approach: "There are three exciting things about our homes you won't see anywhere else. I'd like to show them to you and then you can browse at your leisure."

Pause on the way to the models to discuss the elevations.



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6. Let the prospects open the front door. You want them to experience its solidity and notice the quality of the hardware.

tals—even for "contracts that don't fly"—$75 for two sales; $125 for three sales; $225 for four sales; and a gold Krugerrand for five sales. When the 12-week period ends, more Krugerrand prizes are on tap: For every nine loan-approved sales, a salesperson gets one of the gold coins; for every 12, two; for 15, four; and, "if someone's so bold and gutsy that they get 25 loan-approved sales, they get a $5,000 shopping spree at Neiman-Marcus."

2. Give time off. Some sales managers have discovered the motivation power of nonsalaried compensation, in the form of leisure time. For example, things have been rather dismal for Collins Development Corp., of Stamford, Conn. "I don't think we've made five good deals since the first of the year," says Bill Fox, director of marketing. "The market has virtually collapsed here." His sales staff used to bellyache about the compensation structure's bias toward salary and against commission. "I don't hear those complaints now," he says.

One way of motivating the staff while "we take our chances on the market coming back" has been to change work schedules. "We've tried to structure things so people have more weekend time off," says Fox. "Usually our people work weekends, and now we let them off one day."

3. Do more sales training. "I think the key to motivating our salespeople is keeping them knowledgeable, through continuous ongoing training," says Hogan's Holz. "We get our people awfully involved; we assign topics, and they lead our sales meeting on those topics." Examples of topics: greeting a prospect, closing a deal.

In Atlanta, Doug Spohn, president of the Housing Colony Ltd., says, "we spend a great deal of time educating our people. They need to know the product extremely well. In most cases that's the problem: They don't know the product."

What else are they taught? "They are made aware of body language and buying signs," he says. "Every individual who walks through the door has something that turns him on. You need to find out what his likes and dislikes are, and how to meet his needs."

4. Beef up the merchandising effort. The biggest motivator, aside from financial incentives, is a show of company support for the sales staff, Spohn says. The "tendency in a poor market is to cut back on furnishing your models, cut back on your advertising—and that just adds to the depression." In order to keep your sales staff up, you've got to have better-looking models; you've got to mount a campaign and include your salespeople in it."

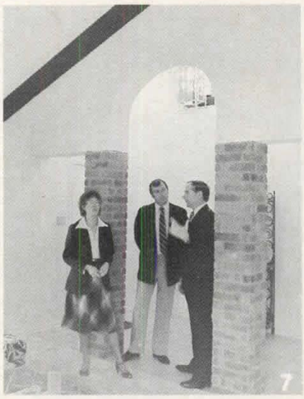
Spohn did just that with a promotion for a new phase in a townhouse complex called The Gardens at Parkaire—by running a four-week radio campaign. The promotion is for pre-sales and since no model was ready, Spohn had mock-ups of vanities constructed to spark buyer interest. TO NEXT PAGE

HAVE THE SALES STAFF PRACTICE DEMONSTRATING THE MODELS

7. Stop in the foyer to give an overview of the house: "This house has three bedrooms—the master is downstairs—and two-and-a-half baths. You'll notice there's a half bath convenient to the family room . . ."

Talk about how the plan lends itself to indoor-outdoor living, formal or informal lifestyle, flexible furniture arrangement. Call attention to the cathedral ceiling or the quality light fixture: surprisingly, most people don't look up. In the dining room, be sure to point out that there's space enough for a hutch: Most families have one. And make sure they notice such special features as crown molding, access to a patio, built-ins, quality light fixtures.

8. Know in advance which special features—fireplace, loft, wet bar, built-ins, etc.—you're going to point out to your prospects. And get them involved in the demonstration. Have them open appliances, open cabinet doors, step into pantries and closets to see how much they'll hold.



9-11. A good salesperson can take any kitchen and point out 40 different items to demonstrate. Remember, lighting and storage are the two things people want most. Be enthusiastic when you demonstrate so prospects will remember what you say.

And don't forget to lead your prospects out to the deck or patio. Discuss the livability of the outdoor space, the expanded living space for the house.

BE FLEXIBLE IN STRUCTURING SALES COMPENSATION

"The sales staff was part of this, they helped develop the mock-ups," he says. Their involvement has spawned their own enthusiasm, he says, adding, "when they start selling, they can say, 'my team is spending a lot of money to bring these people out, and I'm going to be ready for them.' "

5. Offer stricter supervision. In the case of Pulte Home Corp. (Illinois Division), this supervision takes the form of a marketing plan which includes provisions for making a specified number of calls per day—cold calls, broker calls—and systematic follow-up with prospects. "With the marketing plan, everyone's busy and doesn't have a chance to think times are tough," says Cheryl Covey, vice president of sales. The result: "140 sales in the first quarter."

Compensation must be customized

Quite a variety of compensation plans are used by the builders interviewed. Builders in hot markets seem to favor all-commission compensation, while those in slower markets lean mostly toward salaries—but not always.

Dondi's Sugrue has twenty salespeople selling low-rise condo units—some single-family attached, some fourplexes. The price range is \$60,000 to \$114,000, and the market is young couples or singles, including those who are separated, divorced or widowed. Last year Dondi sold 476 units; this year Sugrue's shooting for 960 sales. He pays salespeople a draw against a range of commissions: one percent for the first three sales per month; one and one-quarter percent for the next three in the same month; one and one-half percent for the next three; and two percent for each sale over nine.

He also pays "spiffs"—\$500 to \$1,000 bonuses for units that are difficult to sell—e.g., those in a bad location.

In an even hotter Texas market, Houston, Jim Sullins, vice president of sales for Pulte Home Corp. (Houston Division), gives a guaranteed draw, negotiated at the time of hiring. Generally it works out to \$2,000 a month, he says.

Although the draw is tied to future commissions, Sullins is very emphatic about the regularity of the monthly check.

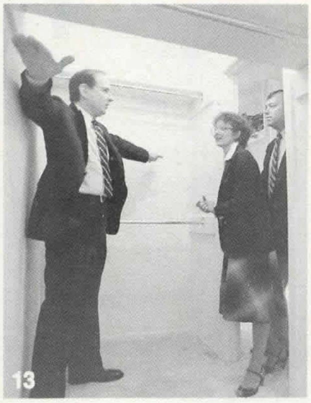
"Salespeople are no different than anyone else," he says. "They have bills to attend to. Knowing that a check is coming in frees them to turn their attention to doing our job—instead of looking for another one."

In New Orleans, the music is a lot hotter than the market right now, as builder Nelson Chatelain tells it. Sales have been slow, and of his staff of four, three are relatives: his father-in-law, his mother-in-law, and his sister-in-law. "You almost have to keep it in the family to keep people—otherwise you get them selling thread at Woolworth's," he says.

Chatelain has changed his compensation structure now that times are tough. "It used to be, whoever made a sale got the commission," he says. Now when a sale is made, the four-

12. Make prospects walk into the bathroom ahead of you. Stand back, don't block light sources as this makes space seem smaller.

More dollars per square foot are spent accessorizing bathrooms than any other room of the house, so demonstrate what's there: dramatic layout, light, linen storage, mirrors, quality fixtures, luminous ceiling, ceramic tile, etc. Be sure to point out the skylight, if there's one.



13. Point out alternate uses for secondary bedrooms—a children's room could be a den, an office, a sewing room, a guest room, etc. And sell floor space, wall space, and storage space in master bedrooms. Point out where a king-sized bed would fit, for example. And demonstrate a walk-in closet by getting into it, stretching out your arms, and telling how many dresses or suits would fit into the space. They'll relate to "60 suits," more readily than to "six feet."

14. After demonstrating the first model, let the prospects continue on their own. If they're interested, they'll come back for a brochure. If they do, ask which home they liked best. You'll already know whether they can afford it because of the "unburdening" process. Then take them to the field to see a house under construction and to demonstrate the quality of the materials and workmanship.

15. It's time to get down to some numbers: Fill in the Home Ownership Benefit Worksheet shown on page 61. Prepare for objections by making a list of the biggest ones and determining in advance how to overcome them.

And don't be timid about asking the closing question: Relax, use good salesmanship, and try to get a commitment.

Finally, help them put their best foot forward financially—maybe suggesting gift letters—so the mortgage will be approved.

person staff shares a three percent commission. In addition, his sales manager (not a relative) gets a salary.

Flexibility is important for many builders in how they compensate their sales staffs. For example, Jennifer Locke, vice president of Pacific Scene Realty, a wholly owned subsidiary of Pacific Scene Inc. of San Diego, generally figured compensation on a flat-fee-per-house basis.

"Now we will try to give a draw if we have to, give a salary if we have to," Locke says. "I had one agent who just couldn't live on a commission structure, so I'm paying her a salary plus a small commission." Why does she now make exceptions to what used to be a hard-and-fast policy? "Why do you customize a deal on a house to make a sale?" she asks. "Good agents are worth making a compromise for if you want to keep them when times are spare."

At AVCO Community Developers' San Diego division, James V. Saivar, director of sales and marketing, pays salespeople a draw against commission—generally $1,500 a month—but has an incentive plan to increase a salesperson's earnings per house when he or she can't sell it without giving away the store. Today, he notes, profits are shaved because sales have to be customized—interest rates are bought down, items like landscaping or carpeting are thrown in, and other inducements are typically given. "We found our salespeople were having to give away things on every deal," he says.

Hypothetically, AVCO's program works like this: on a $150,000 house, the salesperson has $10,000 to work with—either to discount the price, provide carpeting, buy down the interest rate, etc. If the $10,000 isn't used or $2,500 or less is used up, $750 is added to the salesperson's commission. If $2,501 to $5,000 is used, the bonus drops to $500; from $5,001 to $7,500, the bonus is $250; above $7,501, there's no bonus. "A salesman is less apt to give anything away, because it's hurting him," says Saivar. "He's partners with us."

In the sunken Chicago market, Hoffman's Russo pays no salaries—just draws against commission. He doubled the commission—from one-half of one percent last year to one percent this year—and he has sales to show for it. But Hoffman is selling houses—300 units in the Chicago area last year, by nine salespeople, says Russo; this year he's hoping six can do as well.

And in sunny southern California, Mission Viejo is paying salespeople straight salary, says Grant Sullivan, director of marketing—as the builder has been doing since 1974.

Because New York-based Philip Morris Ltd. is the parent company, he notes, Mission Viejo may be in a better cash position than most to sustain straight salary for salespeople in good times and bad. Sullivan says he hires "a salesman who is looking for security, not the type of pro who jumps to where the grass is greener." —DAVID GARFINKEL

Hold a weekly sales meeting

"There's no substitute for a sales meeting in running a smart operation," says Tom Richey *(see preceding pages)*. Even if you have just one salesperson, meet with him once a week. And if you use outside real estate agents, insist that they set aside the time for a sales meeting too. After all, they function as an in-house sales force, only they're paid on a different basis.

Regular sales meetings serve three functions:

1. They educate the salespeople—bring them up to snuff on selling new financing, on reviewing present financing commitments, on gaining the best product knowledge. You might have your construction director speak to your sales force, or the interior designer, or even a loan officer if there's new financing to explain.

2. They serve an administrative function. Getting everybody together in a weekly meeting offers good opportunity to attend to such details as explaining new contracts or processing procedures, for example.

3. They can motivate the sales force. Every sales meeting should include some sort of recognition for the top salesperson of the week or the month or a discussion of some tough sales that were made through aggressiveness on the part of a particular salesperson.

Seven urgency items to weave into every sales presentation

1. The house is one-of-a-kind.

2. The price is about to go up. Builders can help the sales staff here if they send out memos on price rises well in advance.

3. Financing: There's either a new commitment or an old one that's just running out.

4. Options, extras and upgrades: "Mrs. Jones, I need your decision by 5 o'clock for you to make those color changes you want . . . for you to have the upgrade of resilient flooring in the kitchen . . . for you to put *your personality* into this home . . . etc."

5. Contingency selling: "Mrs. Jones, we need to introduce you to a real estate broker who can start selling your home so that by the time this house is finished you will be able to move in. May I suggest a 72-hour right of refusal? That way we'll keep showing this home but we won't sell it without giving you a chance to exercise your option." (This serves the dual purpose of protecting the builder so that a lot of inventory doesn't get taken off the market and also getting a contract on the house and thereby getting the prospects thinking about it and planning for it.)

6. Timing: "When is the best time for you to move in?" "I need to be in before Christmas, before the baby, after the kids get out of school," etc.

7. Living benefits: "Wouldn't it be nice to be able to be here in time to use the pool this summer?"

Use a Worksheet to show prospects the true cost of owning

A. Assemble the tools you'll need: the IRS tax tables, a net interest rate table, a calculator and an amortization book.
B. Fill out the information at the top of the sheet. *Base it on the one home your prospects desire above all others.*
C. Calculate annual deductible interest by multiplying the loan balance by the interest rate. The interest amount will be approximate, but fairly accurate.
D. Add annual deductible interest and annual deductible taxes to arrive at total annual deduction.
E. Leave tax bracket line blank at this time.

Now, move on to the prospect's current tax picture.

F. Enter prospect's gross income on lines 1 and 7 and deduct such allowable items as contributions to IRAs, moving expenses, etc. Enter adjusted gross income on lines 2 and 8.
G. If the prospect files a long form and itemizes deductions, enter them on lines 3 and 9. Deduct the standard allowance of $3,400 and enter the difference in the right-hand column.
H. Subtract net deductions and dependent deductions from adjusted gross income to arrive at taxable income (line 5).
I. Using tax tables, enter federal income tax due on line 6.
J. Fill in the tax bracket. (step **E** above) from the tax table.

Show the prospect how his tax picture will change with the purchase of a new house.

K. Lines 7, 8 and 9 are already filled in but you now have a new deduction to enter—annual interest and taxes. If the deductions above already include interest and taxes for a house, deduct these on the line marked "less: exclusion."
L. Subtract new net deductions and dependent deductions from adjusted gross income to get new taxable income.
M. Find new federal income tax on tax tables; enter it on line 12.

Now the real cost of ownership will emerge.

N. Subtract line 12 (new federal income tax) from line 6 (old tax) and enter it on line 13. Divide it by 12 and enter on line 15. You might tell your prospect: "This is like a rebate on your purchase that Uncle Sam gives you each month."
O. Total the monthly principal, interest, insurance and maintenance payments on the new home and enter it on line 14.
P. Subtract the tax savings (line 15).
Q. Line 16 shows the net monthly cost of the new home.
R. Finally, from the net interest table, determine the net interest rate after taxes and enter it on line 17. Then determine the new tax bracket (line 18).

At this point you can suggest to a salaried prospect that he have his employer withhold less income tax to increase his cash flow. He can do this by increasing the number of exemptions he claims on his W-4 form.

Finally, you can highlight the possible gain from ownership.

S. Ask the prospect to tell you how much he thinks the home will appreciate in value based on historical fact. Enter this estimated annual appreciation on line 20.
T. Multiply sales price (line 19) by estimated appreciation (line 20) and calculate estimated annual dollar appreciation (line 21) and estimated monthly appreciation (line 22).
U. Subtract line 14 from line 23 for the total monthly gain from home ownership. If down payments are low and interest rates high, there may be a small monthly cost. If the prospect is a homeowner, you can discuss the value of the additional amenities he will receive in his new home. If he is a renter, go on to the next step.
V. Enter monthly rent on line 24. Point out that he is not receiving any investment value from his rent payments. Enter the total of his monthly rent and the monthly gain from ownership (lines 23 and 24) on line 25 for the total monthly gain, showing what a bargain home ownership is, especially for renters.

HOME OWNERSHIP BENEFIT WORKSHEET

Price:	$______	Interest Rate	______%
Initial Investment	$______	Number of Dependents	______
Loan Balance	$______	Est. Annual Deductible Interest	$______
Monthly Investment (P&I)	$______	Est. Annual Deductible Taxes	$______
Total Monthly Investment (PITI)	$______	Total Annual Deduction	$______
		Est. Tax Bracket	______%

WORKSHEET: COURTESY OF T. RICHEY & CO.

BEFORE HOME PURCHASE

1.	Gross Income		$______
	Less: Allowable Deduction	$______	
2.	Adjusted Gross Income		$______
3.	Itemized Deductions	$______	
	Less: Exclusion	$______	
	Net Deduction	$______	
4.	Taxable Income Before Dependent Deduction		$______
	Less: Dependent Deduction	$______	
5.	Taxable Income		$______
6.	Federal Income Tax (Tables)		$______

AFTER HOME PURCHASE

7.	Gross Income		$______
	Less: Allowable Deduction	$______	
8.	Adjusted Gross Income		$______
9.	Itemized Deductions	$______	
	Less: Exclusion	$______	
	Net Deduction	$______	
	Add: Annual Interest and Taxes	$______	
	New Net Deduction	$______	
10.	Taxable Income Before Dependent Deduction		$______
	Less Dependent Deduction	$______	
11.	Taxable Income		$______
12.	Federal Income Tax (Tables)		$______

REAL COST OF OWNERSHIP

13.	Tax Savings First Year		$______
14.	Total Monthly Investment (PITI)		$______
15.	Less: Tax Savings Per Mo.	$______	
16.	Net Monthly Cost		$______
17.	After Tax Interest Rate	______%	
18.	New Tax Bracket	______%	

GAIN FROM OWNING

19.	Today's Purchase Price	$______
20.	Times Est. Annual % Appreciation	______%
21.	Equals Est. Annual Dollar Appreciation	$______
22.	Estimated Monthly Appreciation	$______
23.	Est. Monthly Gain from Home Ownership (21 − 15)	$______
24.	Total Gain if Family is Renting At	$______mo.
25.	Renters Monthly Gain (23 + 24)	$______

MERCHANDISING

PRODUCTS

UPGRADES

Making amenities 'affordable'

With so many prospects uncertain as to whether they can afford even the most basic new house, convincing them to invest in the upgrades and extras they're probably "itching" to have is all the more difficult.

One way to combat that we-can't-afford-it syndrome may be to break out the cost of those extras in terms of the monthly payment. The chart at right provides examples of the type of information you might offer a prospect. It lists typically upgraded products—ranges, for example—and popular extras—skylights, greenhouse windows and the like. Typical—but hypothetical—prices for each are indicated (they in no way correspond to prices of the products shown). The area in the chart labelled "Mortgage Terms" breaks out monthly mortgage costs for each amenity under four mortgage plans.

Armed with a chart like this, your salespeople can show prospects that a highly desirable greenhouse window, for example, would add just $4.40 per month over 30 years at 17.5%. Put that way, many prospects would admit to being able to afford the window.

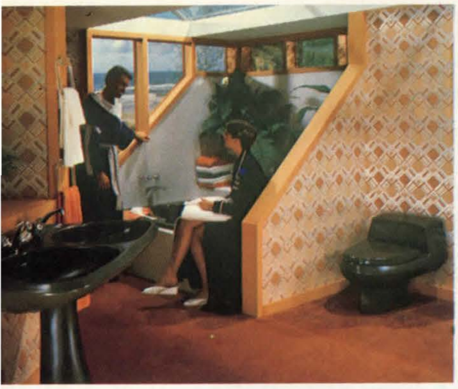
The chart was prepared for HOUSING by Dennis R. Kelley, senior vice president, LaSalle National Bank, Chicago. Your own lender should be able to set up a similar list based on your upgrades and extras—and on the mortgage terms you offer. —J.A.W.

Tri-level gas range includes many convenience features; i.e. microwave oven, self-cleaning master oven and touch controls. White-Westinghouse. *Circle* **350** *on reader service card*

Top-of-line refrigerator, called the Mark I, features a solid-state Sentinel™ that continuously monitors unit operation. Whirlpool Corp. *Circle* **351** *on reader service card*

Top-of-line gas range provides microwave and convection oven cooking. Oven with black glass door, is self-cleaning, a highly desired option. Caloric. *Circle* **352** *on reader service card*

	Cost	Mortgage Terms			
Upgrades		17.5% 30 Yrs.	12.5% 30 Yrs.	7% 10 Yrs.	0% 5 Yrs.
RANGE—ELECTRIC					
Standard	$ 400	$ 5.87	$ 4.27	$ 4.64	$ 6.67
With Glass Backguard	500	7.33	5.34	5.81	8.33
With Self-Cleaning Oven	589	8.64	6.29	6.84	9.82
With Over/Under Ovens —Microwave & Convection	1,750	25.66	18.68	20.32	29.17
RANGE—GAS					
Standard	400	5.87	4.27	4.64	6.67
With Glass Backguard	450	6.60	4.80	5.22	7.50
With Self-Cleaning Oven	950	13.93	10.14	11.03	15.83
With Over/Under Ovens	1,669	24.47	17.81	19.38	27.82
REFRIGERATOR					
Standard	600	8.80	6.40	6.97	10.00
With Icemaker/Dispenser	800	11.73	8.54	9.29	13.33
CABINETRY					
Typical 15′ x 15′ Kitchen	7,000	102.64	74.71	81.28	116.67
With Walk-In Pantry	7,500	109.97	80.04	87.08	125.00
FLOORING (For 10′ x 12′ Area)					
Vinyl—Low-End	120	1.76	1.28	1.39	2.00
Vinyl—High-End	350	5.13	3.74	4.06	5.83
Tile—Low-End	390	5.72	4.16	4.53	6.50
Tile—Quarry	430	6.31	4.59	4.99	7.17
Tile—Top-of-the-Line	962	14.11	10.27	11.17	16.03
TUBS					
Standard 5′—Cast-Iron	500	7.33	5.34	5.81	8.33
Whirlpool—Cast-Iron	800	11.73	8.54	9.29	13.33
Whirlpool—Deluxe Acrylic	2,500	36.66	26.68	29.03	41.67
TOILET					
Vitreous China—Water Saver	100	1.47	1.07	1.16	1.67
Bidet	250	3.67	2.67	2.90	4.17
Low Profile—High-End	700	10.26	7.47	8.13	11.67
FITTINGS					
Kitchen Faucet—Standard	30	0.44	0.32	0.35	0.50
Kitchen Faucet—Contemporary	50	0.73	0.53	0.58	0.83
Kitchen Faucet—Single-Control	50	0.73	0.53	0.58	0.83
WINDOWS					
Single-Glazed	2,200	32.26	23.48	25.54	36.67
Double-Glazed	2,700	39.59	28.82	31.35	45.00
Extras					
ELECTRIC GARAGE DOOR OPENER	$ 300	$ 4.40	$ 3.20	$ 3.48	$ 5.00
MOLDING–(50 Lin. Ft.)	300	4.40	3.20	3.48	5.00
Low-End	300	4.40	3.20	3.48	5.00
High-End Period Styling	1,200	17.60	12.81	13.93	20.00
MIRRORED WARDROBE	600	8.80	6.40	6.97	10.00
DISPOSER	100	1.47	1.07	1.16	1.67
COUNTERTOP CERAMIC TILE	600	8.80	6.40	6.97	10.00
WETBAR	600	8.80	6.40	6.97	10.00
SKYLIGHT	450	6.60	4.80	5.22	7.50
GREENHOUSE ADDITION	5,000	73.32	53.36	58.05	83.33
GREENHOUSE WINDOW	300	4.40	3.20	3.48	5.00
FIREPLACE	1,500	21.99	16.01	17.42	25.00



itylized bathroom collection *(above)* offers choice of nine products: two whirlpools, four avatories, two water closets and a bidet. The ttings shown installed, from the "Roma" line, re also an elegant alternative to the standard athroom fittings. American Standard. *Circle* **53** *on reader service card*

Resilient floorcovering can resemble other materials, and is easy to maintain. Above is tile-like "Hempfield" from the "Solarian Supreme" collection. Armstrong. *Circle* **354** *on reader service card*

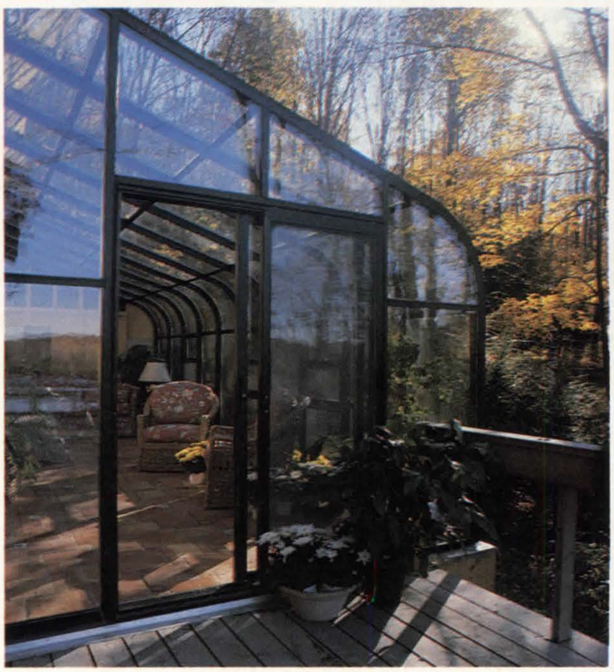
Hardwood flooring adds a touch of formality to any room. Random-length planks shown come in several finishes and three widths. Bruce Hardwood Floors. *Circle* **355** *on reader service card*

Ceramic tile is a popular flooring alternative. The flashed camel tiles shown installed above are from American Olean's "Primitive Encore" line. *Circle* **356** *on reader service card*

EXTRAS

Security products like the electric garage door opener *(above)* are popular with today's buyers. Allister. *Circle* **359** *on reader service card*

Contemporary styling has even found its way to fireplace design, as the "Stoveplace" unit *(left)* from Superior shows. *Circle* **360** *on reader service card*



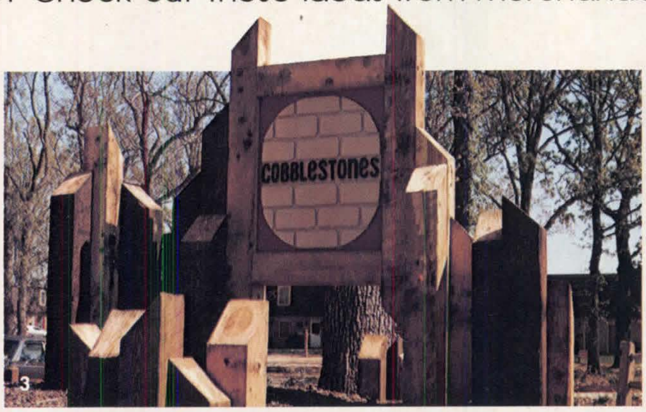
Natural light and increased ventilation are benefits of operable skylight above. Insulating glass and triple weatherstripping minimizes infiltration. Pella. *Circle* **361** *on reader service card*

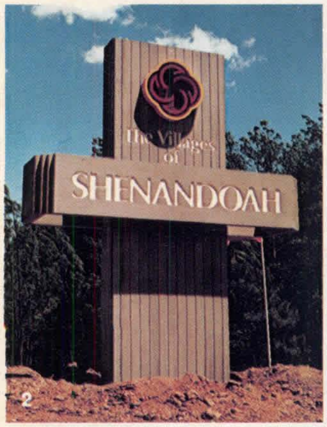
Added space in an indoor/outdoor environment is offered by greenhouse additions like that at left. Lord & Burnham. *Circle* **362** *on reader service card*

Decorative molding is one kind of detailing that rospects always notice and appreciate. While ven simple patterns can add life to a room, the ieorgian-style molding with an accanthus-leaf notif shown installed in top photo can add a ormal, custom look. Focal Point. *Circle* **357** *on eader service card*

Whirlpool baths like the Jacuzzi® shown above re increasingly popular amenities for both inloor and outdoor use. The marble-like pattern of the molded material gives the 4′×5′ tub a uxurious look. Jacuzzi Whirlpool Bath. *Circle* **358** *on reader service card*

Want to get more traffic at your project?
Need a way to bolster prospects' confidence in their ability to afford a home? Check out these ideas from merchandising pros.





Offer prospects a standing invitation

The design of a project's entrance sign may not assure its success. But the wrong sign could turn prospects away before they see it. So an attention-getting sign should do more than identify a project and direct traffic. It should also "be an extension of a project's identity," says Ernest Dwight, president of the Southwood Corp. in Charlotte, N.C.

Each of the signs shown, made by Southwood, establishes an image, helping to define the character of its project. The Fairfield sign at left for example "captures the architectural feeling of the area," says Dwight, "with rough-sawn timbers and weathered look."

Project locations: 1) Boca Raton, Fla. 2) Newnan, Ga. 3) Charlotte, N.C. 4) Murray Lake, S.C. 5) Sapphire, N.C. 6) Charlotte, N.C. 7) Columbia, S.C.

Not enough action from realty-page ads? Experiment

Test other sections of your paper, advises marketing consultant Lester Goodman of Brea, Calif.—general news, sports, entertainment, etc.

Last football season Watt & Chandler of Sylmar, Calif., a Goodman client, advertised its townhouses in *The Los Angeles Times* sports section. Result: Sports outscored Real Estate, 4 to 1.

Here are other Goodman suggestions:

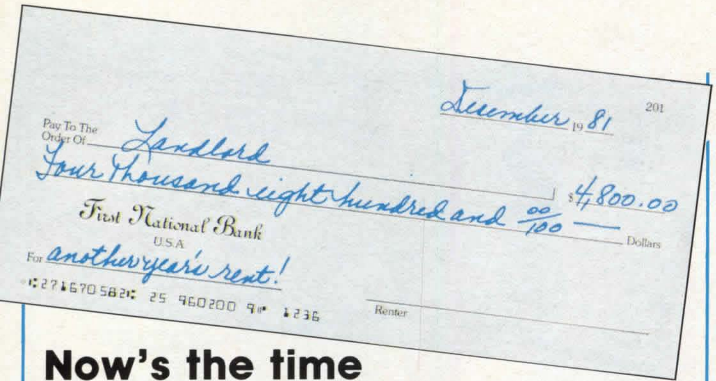
•Try neighborhood throwaways and penny-savers. They're cheap ad buys for homing in on a specific market—say, likely first-time buyers in a neighborhood of rental apartments.

•Advertise in the programs of local cultural events—little theatre, for instance, concerts, ballet and art shows. "This makes good sense in smaller cities, where well-to-do community leaders have a personal stake in supporting culture," Goodman says. "For a modest cost, you reach the people who influence others." And if nothing else, he adds, such advertising is excellent PR.

•Team up with nearby builders on advertising supplements. "This is old stuff to big outfits like Mission Viejo and Irvine," Goodman notes. "Why shouldn't smaller companies join forces to do the same?"

•Consider radio if you haven't done so already. Your local radio stations, unlike your local paper, are not all things to all people. They have distinct—and different—audience profiles. So the trick is to pick the station with the profile that most closely matches your market.

Also, Goodman suggests, try for a program dominated by a recognized personality—whether he or she is a disc jockey, newscaster, interviewer or whatever. And, finally, spend your radio dollars in "flights"—that is, a week or two of heavy concentration, then cut for a couple of weeks, then back on the air.



Don't merchandise 'down' to first-time buyers

"Approach them the way you would approach buyers of high-end, luxury housing," advises marketing consultant Kent Colburn of Denver.

A case in point: Colburn's merchandising of Centex Corp.'s Mountain Vista Village, Denver, where 238 condo flats in eightplex buildings start at $48,990.

Colburn mailed out 30,000 copies of a brochure projecting a high-style, quality image—its cover showed a string of pearls, a glass of wine, a pair of cufflinks and three roses. With the brochure went an invitation to Mountain Vista Village offering a grand prize of a diamond jewelry set plus boxes of Godiva chocolates to the first 250 attendees.

More than 600 visitors turned up in the first ten days. And 20 units were sold in the first two weeks.

The promotion's cost: $9,180. That breaks down into $5,200 for the brochures, $2,800 for mailing, $550 for the jewelry and $630 for the chocolates.

Now's the time for direct-mail selling

"A lot of people aren't even looking at the real estate pages these days," says Maury Wallach of United Development Co., Chicago. "So you may have to reach them through the mail." He notes two of his company's efforts:

1. *For renters only*—a simulated check shown above, is the first page of a modest mailer to apartment tenants. The pitch: Why throw away all that money on rent when you can own a United Development home for the same amount or less? The response: "Just under a two percent return," says Wallach.

2. *For the move-up market*—United sent out formal invitations to the cocktail party opening of models priced from $130,000 to $165,000. Roughly 8,500 prospects—all with $50,000-plus incomes and living within a 10-mile radius—were invited. More than 700 showed up, and, Wallach reports, 20 of them bought houses "in the next few weeks."

Giveaways can wake up sales

Case in point: 14,000 people came to Summerhill in Wallingford, Conn., hoping to win a $75,940 condo—and they came during six weeks in the middle of a New England winter.

"The project was ready to open the week before Christmas, and I'm sure there wouldn't be a single sale yet if we hadn't run a promotion like this," says John Prodis, vice president of Scott, Fitton & Co., a New Haven-based consulting firm which managed the giveaway for developer Nolan Kerschner of Norwalk, Conn. "As it is, there are 12 firm deals and a few binders down."

To heap on more hype, the company arranged for a radio celebrity from nearby New York City to fly in by helicopter and draw the winning entry—a stunt which boosted press coverage.

What's more, "We're at it again," says Prodis. Namely, at another of Kerschner's projects, $10,000 in gold coins is being given away. If the winner buys, he'll get a $10,000 discount in addition to the gold, and if the winner has a contract already, he'll get a $20,000 discount. "That should help close deals," says Prodis.

Prodis notes that winners of such giveaways do have to ante up to the IRS but, he says, "The winner of the condo is thrilled: He is paying Uncle Sam several thousand dollars, but that's his only cost on a new home."

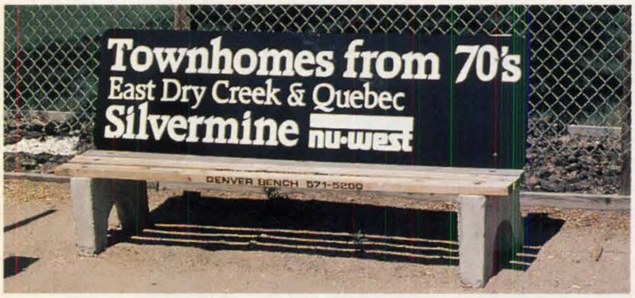
'That's me' ad stands out from the rest

At a time when most ads trumpet interest rates, Pulte Home Corp.'s Illinois division decided to take a different tack.

"I wanted people to open up the newspaper and say 'that's me'," says Cheryl Covey, vice president, sales.

The approach is straightforward. A large photo of a female executive, for instance, is headlined "On your own" with the message "own your own" *(above left)*, while first-time buyers, complete with baby, are told "Pulte makes it easy," *(above right)*. And so on, for a series of six ads, portraying different types of people who could be in the market for one of Pulte's products, which range from $47,900 townhouses to $140,000 single-family homes

The "see yourself" ads seem to have paid off: Pulte sold 140 units in the first quarter of '82. (For a look at Pulte's financing program, see page 36.)



How about signs where they sit?

Namely, on benches at bus stops? In Denver, marketing consultant Kent Colburn came up with the idea when he couldn't get billboards to promote a Nu-West project.

Colburn bought space on 100 benches for less than $1,200 a year. Fifty of the signs, as well as others *(right)*, were "buyer" profiles. They showed Nu-West employees selected to represent typical buyers—e.g., a young family, singles, empty-nesters. And in a brochure, buyer types were pictured next to floor plans designed for them. Why employees as models instead of professionals? "As a morale booster," says Colburn.

Make your ads entertaining

So suggests marketing consultant John Scott, who created these ads for a Norwalk, Conn. condominium.

Headlines point out that Ingrid, for example—an actual buyer rather than a model—does indeed live at Strathmore Lane. Copy, exploiting people's natural curiosity about other people, tells readers about her: "A career woman with many outside interests . . . prefers aerobic dancing to jogging . . . treats guests to her own Creme Brulee . . . leans toward violin concertos by Mozart and Beethoven . . . and so on.

Both ads are part of a series that, Scott says, elicited three times the response of a previous campaign stressing product and environment. Strathmore Lane's units range from $139,900 to $159,900. Thirty-seven have been sold since July 1980. Builder: Nolan Kerschner.

Bigness isn't always better...

. . . Bigness in newspaper ads, that is. It makes sense to buy a whole page or even two when introducing a new housing complex, says marketing consultant Alvin Preiss of New York City. But, he notes, if you do it week after week, your campaign can become counterproductive: "Buyers are apt to view this large outpouring of ad dollars as an act of desperation rather than confidence."

What counts, Preiss says, is the ad's message—not its size. "Offer a convincing reason to buy—a new financing plan, for example."

Court the move-in market

If you're lucky enough to live in a popular corporate relocation area, go after the out-of-towners before they've even left town. Texas builder J. Stiles Inc., set up a whole department for that purpose alone—"the first in the Dallas area," claims Director of Relocation and Realtors Services, Janna Pickering.

Ms. Pickering travels to many corporations with a slide show about Dallas—and about her company's homes. And she brings with her a thick information package for each employee.

That package includes: general information about the Metroplex; flyers from restaurants and tourist centers; brochures from schools, banks and insurance companies; community audits. There is a booklet of moving tips and a change of address kit. And of course there are brochures and floor plans of nearby Stiles projects.

"The idea is to show them why Dallas is such an attractive place to live," says Pickering. And to get those potential homebuyers to think of Stiles first.

A lot of renters take in strange roommates—just to keep up with the bills.

But why make your landlord rich, when you could own a home of your own?

You'd like to know how to do that, right? Okay listen carefully.

This is a Villa Colina Condominium.

About as nice a condominium as you'll ever find.

And you can buy it for only a little more than you now pay for rent.

Offer a 'Passport to Home Ownership'

That's how Christiana Community Builders lured renters into becoming prospects for a new condominium, Villa Colina, near San Diego.

The "Passport" promotion, orchestrated by Bryan Hardwick Associates, was aimed at a specific market: working couples and singles who were paying at least $450 in rent and earning from $26,000 to $40,000. Its message—own a Villa Colina condo for only $650 a month—was spelled out in the passport-like brochure shown above and in a 10-minute film strip *(left)*. The 12-page brochure explained how a Villa Colina financing plan helps first-time buyers "get out of the rental trap." Tie-in advertising stressed a theme: "Successful people shouldn't rent."

To kick off the three-day promotion, Christiana sent out 25,000 invitations to a "Passport Party." Slotted into each invitation was a key that, if it opened a steamer trunk at the party, entitled the guest to a prize. Prizes ranged from a dinner for two to a two-week vacation for two at a Club Med.

Results? Almost 800 guests at the three days of parties, and ten "solid" sales in five weeks, according to Bryan Hardwick's Brooks Roddan.

Is your ad a winner?

Richard Elkman of Group Two Advertising, Philadelphia, suggests you try these three quick tests of an ad's impact—before running it:

1. Turn the ad upside down. If the headline stands out as a strong shape, even when it's unintelligible, it will probably be read when it's printed rightside-up.

2. Photocopy a proposed ad, and place this copy on a page of real estate ads. A photocopy more closely resembles newspaper reproduction than a slick proof does, so you'll get a better idea of how your ad will stack up against the competition.

3. Evaluate the amount of information you've included. If you tell too much, a prospect can make a "won't buy" decision in his living room. What you want your ad to do is tease him into coming to see your models.

Beam a promotion at local realty brokers

Invite them out to your sales office, for example. That's what the marketers of the Palm Beach Hampton—Greenman Corporate Consultants Inc. of Miami—did with a special box of Godiva chocolates *(above)*. Greenman also invited VIPs to an opening party at the sales office *(cover and page 48)* with an offer to donate $25 per attendee to a local recreation center.

In another pitch to brokers, The Bartlett Group, Atlanta, has come up with an offbeat promotion, a racquetball tournament, for an offbeat product—a $262,000 house that includes a $50,000 racquetball court. Forty brokers have signed up. Winners will receive glass racquetball sculptures by Hans Frabel. And all entrants will be issued bright red or blue T-shirts emblazoned with "First Annual Weeks-Davis Rivermont Racquetball Classic" (Weeks-Davis & Associates is the builder; Rivermont is the development).

Ease fears of job loss

"They don't mention it, but you know it's there," says Edward Havlik, president of United Development Co., Chicago. "And it's the move-up prospects with the good jobs who are most worried."

He points to this evidence: United ran a large ad offering eight mortgage plans and headlined, "8 ways United Development Company makes financing right for you." Reader response was "soft," says Havlik.

Then this copy was added under the headline:

"New! Mortgage Payment Security Plan. Don't worry if you become temporarily unemployed. If you lose your job within the first year after your closing, United Development will pay up to 6 months of your principal, interest, and tax payments."

Result: Reader response rose an average of 35 percent in the company's seven locations. [For more information on the plan, see HOUSING *Hotline,* May.]

Take the mystery out of interior design

Mortgage payments and fuel bills aside, many first-time buyers face another worry: Do they have the means and the know-how to decorate and furnish their new homes with taste?

To ease their minds—and thus make it easier to close sales—interior designer Karen Butera publishes decorating handbooks for her builder clients. Builders distribute the books to their buyers and also to serious prospects who are on the fence.

Butera, who heads The Inside Story in Palo Alto, Calif., has produced her handbooks for 11 builders. All contain interior-design and how-to information written for the layman. But each is also tailored to the floor plans, styles and price brackets of the particular builder's models.

Handbook sections, illustrated with line drawings, deal with such subjects as color, moldings, shelving, mirrors, built-ins, window treatment and lighting.

Butera charges builders from $35 to $55 per copy, depending on the quantity ordered. She says she gets a lot of feedback from homebuyers, "which helps us make each successive book more interesting and more useful to them."

Help buyers convert assets

That's the advice of Maryland developer Michael T. Rose, who helped one buyer sell a Corvette and offers to broker jewelry, furs, antiques, etc. if necessary.

"The most unusual deal we ever made was taking $2,000 in unset opals as part of a down payment," says Rose. "But it's really no more of a gimmick than accepting someone's house in trade."

Rose admits, however, that he'd be "in shock" if a prospect brought in a horse to swap—even though a thoroughbred is pictured in the attention-getting newspaper ad which lets prospects know the developer will go the distance to help them buy.

Offer prospects financial help

Attractive financing has become a crucial part of builders' merchandising programs in today's high-interest-rate environment. Of course, financing alone, no matter how fancy, is not going to sell a home. But a financial package that lowers monthly payments and helps buyers hurdle high down payment obstacles can be the determining factor in the decision to buy, helping a customer get the house he wants but might not otherwise be able to afford.

Such is the case in Dallas, where the Dondi Group Inc. developed a unique financing plan, "The Rich Uncle Program," using it to sell more than 200 homes over the past year. The plan is a variation on the principle behind shared-equity mortgages and it works as follows:

A homebuyer is paired with an investor, the "rich uncle," and they enter into a three-year co-ownership agreement to buy a home. "They contribute equally to down payment, closing costs and monthly payments," explains Mike Sugrue, president of Dondi Marketing Corp., a Dondi Group subsidiary. They also split condo or homeowner association fees.

The required down payment under Dondi's program is very low—five percent, or 2.5 percent each from the investor and the owner-occupant. An S&L extends a mortgage for the 95 percent balance to the co-owners, who make separate payments to the S&L for half the carrying costs. Since this arrangement results in what Sugrue calls "an inherent inequity"—the owner-occupant has use of the home and the owner-investor doesn't—the occupant pays the investor monthly rent based on average rents in the community. Dondi has calculated a rent schedule for homes of varying prices, and Sugrue estimates the monthly rent paid on an $80,000 home would be approximately $165.

At the end of three years, when the co-ownership agreement expires, one of three things happens. First, one of the owners may buy the other out for a price determined by appraisals taken by both parties. Second, the home can be put on the market and sold and the two parties split the profit. Third, the agreement may, by mutual consent, be continued on a year-to-year basis. Sugrue notes that the agreement may be terminated by a sale or a buyout before three years are up, if both parties prefer. There is also a clause in the co-ownership agreement stipulating that the investor must buy out the owner-occupant should the owner be transferred to another city by his employer.

If one party—the owner-occupant, for instance—opts to buy out the other, things get a bit complicated. In the case of an $80,000 home bought for $4,000 down, financed with a 5%, $76,000 mortgage, and appraised at $100,000 at the time of the buyout, here's what happens.

First, both parties figure out their respective shares in the home's appraised value. Under the terms of the co-ownership agreement, the party being bought out—the investor in this case—is entitled to 90 percent of half the appraised value, amounting in this example, to $45,000 or 90 percent of $50,000. The reason the party being bought out gets only 90 percent of his half of the appraisal and not the full half, says Sugrue, is to compensate the remaining party, the occupant in this case, for selling costs that might be incurred later.

rom a 'Rich Uncle'

So the investor, in effect, owns $45,000 worth of the home ıppraised at $100,000. However, he is still liable for half the nortgage on that home. Since the principal balance of the nortgage would have been reduced hardly at all in the first hree years, the investor's share of the mortgage would still be roughly $38,000, or half the original $76,000. To buy out he investor, the owner-occupant assumes the investor's share of the mortgage and pays the investor about $7,000—the difference between the amount of the mortgage ($38,000) the owner-occupant assumes, and the investor's share of the appraisal, $45,000. Not all of this $7,000 must be paid in cash, however. According to the co-ownership agreement, the cash payment to the investor will equal five percent of the investor's share of the appraisal or $2,250—and the investor will take back a note for the remainder. The note, amortized over ten years, has a fixed rate, based on market rates at the time of the buyout, and may be called due by the investor any time after the fifth year.

Those taking advantage of the Rich Uncle program, says Sugrue, include "young professionals on the way up, singles, first-time buyers and a lot of people in the 35-to-55-year-old range." Lately, he says "many more young couples" have been taking Dondi up on the plan.

The Rich Uncle program, contends Sugrue, allows a buyer to afford a better home in a better neighborhood. "It's like driving a Cadillac instead of a Volkswagen. No one has to know the Cadillac is rented." Of course, the owner-occupant is also paying rent, and later, should he buy out the investor, must pay all the mortgage costs, plus make payments on the note to the investor.

The major benefit to investors in the program is tax shelter. Investors get to depreciate their half of the home and deduct half the mortgage-interest expense. The investor also gets some current income in rent payments and shares in the home's appreciation. According to Sugrue, the program works as "a wonderful leverage tool" allowing investors to put up a relatively small amount of cash and get a return on investment, including tax benefits, of as high as 75 percent a year over the first three years. Sugrue has had no trouble attracting investors and claims doctors. Lawyers and others with income to shelter have flocked to the program.

An advantage this program has over investment in other residential rental property, notes Sugrue, is that the "tenant" in the Rich Uncle program is also an owner and has an equal stake in the property with the investor. The owner-occupant is more likely to be concerned about the upkeep of the home, or investment, and less likely to risk jeopardizing his ownership interest with late mortgage or rent payments.

Dondi is now in the process of selling the Rich Uncle program to other builders. According to Sugrue, the company has a copyright on the program and has obtained a trademark for the Rich Uncle name. To those builders interested in buying the program, Dondi will supply the necessary legal documents, collateral agreements and other paperwork needed to set up and run the program. Already, Dondi has targeted 11 markets, among which are Houston, El Paso, San Antonio, Nashville and Denver.

How to take the curse off standing inventory

Nothing alarms already wary prospects more than the sight of unsold—and untended—houses. If you've got inventory on your hands, Carol Jamieson, marketing vice president of The Meister Company, Newport Beach, Calif., suggests the following:

Landscape the houses.

Drape the windows. Use customer-service personnel—people who normally clean up new homes for move-ins—to spruce up your inventory, inside and out. And, if possible, relocate your community entrance so that visitors won't have to drive by vacant houses.

Keep sales-staff attitudes upbeat

They're contagious and, if negative, will turn off possible buyers, notes Marketing Vice President Carol Jamieson of The Meister Company, Newport Beach, Calif.

Suppose a salesperson is worried—perhaps even panicky—about where his next commission check is coming from; he's apt to unconsciously transmit his anxiety to prospects, who may already be worried about *their* next checks. Jamieson's remedy? When times are tough, consider paying salary plus commission instead of staight commission.

Or perhaps the salesperson has become obsessed by negatives, which, Jamieson notes, are "inevitable in any project." His attitude sours and, of course, is subtly felt by prospects. Jamieson's remedy? Consider shifting him to another project.

"Attitudes are critical," says Jamieson. "Today, more than ever, they must be genuinely enthusiastic and always confident."

How to create the sales staff confidence you want buyers to respond to? Jamieson offers a couple of practical suggestions:

Involve your salespeople in drafting sales contracts. Reason: They'll spot "legalese" that can scare off a buyer at the last minute because it isn't clear or arouses anxiety.

Bring in your mortgage broker to brief your salespeople on financing and answer questions. Today's financing maze already has prospects confused, Jamieson notes. They'll be even more so—and thus less likely to buy—if they get misleading answers from your salespeople.

Offer to buy back the house

"We'll do anything within reason except give the store away," says Marketing Director William Fox of Collins Development Co., Stamford, Conn.

"Anything" has included an offer, at the company's Princeton, N. J., project, to buy back a house within a year at the original price. It clinched the sale, says Fox. At another project, in Cos Cob, Conn., Collins has offered rentals with options to buy. The result: six renters who, Fox hopes, will eventually become owners.

The number of Americans who are over 50, but not over the hill, is increasing dramatically. Some are empty nesters; some are never nesters. However you classify them, many share this goal: They aren't willing to wait for retirement to enjoy a leisure-oriented lifestyle. That's why one alert developer is already. . .

SELLING TO THE NEW

"Finally there's a way for working people in the prime of their lives to enjoy the luxury and leisure that we all work so hard for and so few of us ever achieve."

So reads the copy in an ad for The Communities of Concordia, a 489-acre project being developed by Crestwood Village Inc. in Monroe Township, N. J.

"This approach touches a nerve with people in their fifties," says Alvin Priess, a marketing consultant who works with the developer. "After the age of 45, everyone begins to think of retirement as some kind of 'magic' time to come. But inflation has people worried whether that retirement dream is achieveable. We're telling them they *can* have it—today."

Often these prospective buyers haven't actively been in the market for a house—and that's not what Crestwood is trying to sell them.

"We're offering an alternate way of life," says Marketing Director David Wolff. "They already have a house, which is a cherished possession and has lots of good memories associated with it."

In fact, Crestwood found that many of the people it was trying to reach weren't reading the real estate pages, so the developer is experimenting with advertising in newspaper lifestyle and entertainment sections. And it recently ran a 20-page advertising supplement in the Sunday *New York Times* (the development's within commuting distance of New York City). The supplement's cover featured two swimsuited couples relaxing in a whirlpool—men and women who were obviously on the "wrong" side of 40, but with physiques much younger people might envy. Headlines promised "A new direction" and "Security and service 1980s style." A coupon invited interested parties to mail away for more information. The response? "Overwhelming," says Preiss. "We can't handle it."

Some of the amenities which may have piqued the interest of empty nesters reading the supplement—and of the 150 buyers so far: an 18-hole golf course, now under construction; jogging and bicycling paths; a clubhouse, which will include conference rooms for use by homeowning executives; and a 24-hour computerized security system.

The sales office *(far right)* reinforces the country club theme. "We planned the reception area to make prospects feel they were registering for a vacation," says Wolff.

"And the sales technique is based on convincing them that they're justified in wanting the good life," adds Preiss.

One of the most effective sales tools: a slides-and-sound presentation which shows people like the prospects themselves, admitting such things as "I always wanted to play golf without getting up at the crack of dawn."

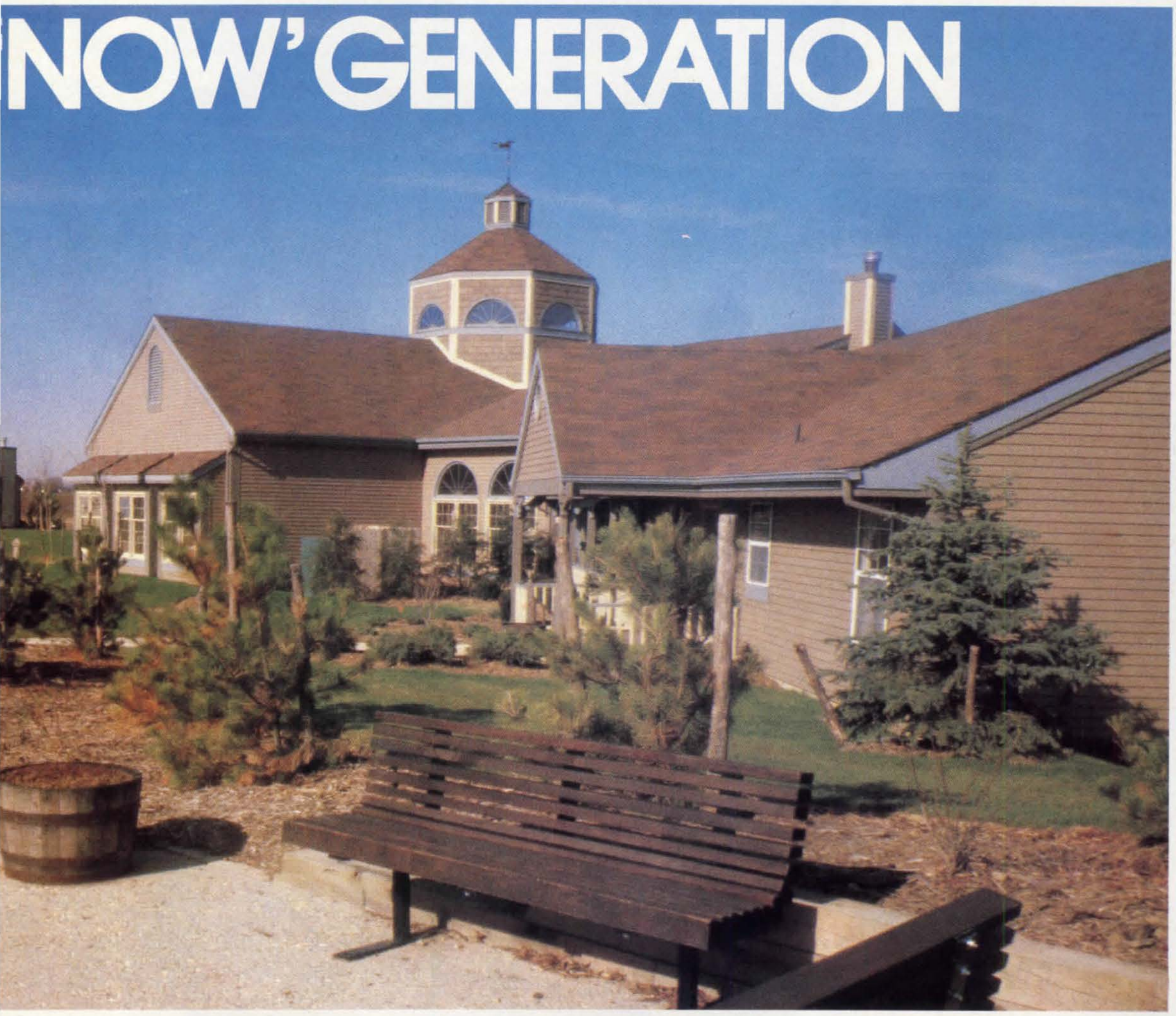
Of course, there are also product-oriented displays—after all, there's a lot of product in a 3,200-unit development. Four different housing types are offered—from detached homes to condo flats *(see page 72 for three examples)*. And the clincher: "They're affordable," says Herbert Wishnick, Crestwood's executive vice president. Prices currently run from $55,990 to $106,490. —B.B.G.

Low-key, New England-inspired style characterizes Concordia's homes *(at left in photo above)* and its sales center *(at right in photo above)*. The 4,500-sq.-ft. sales facility includes models of two condo flats, which will be built in eightplexes.

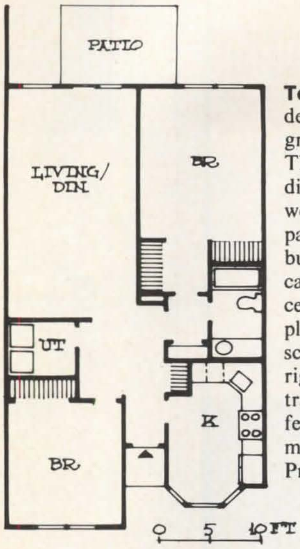
Emphasis on lifestyle pervades the sales center. Note, for example, the "spirited way of life" display which accompanies the topo table *(photo, near right)*. Reception area *(far right)* was designed to telegraph quality and a relaxed approach to life.

NOW' GENERATION

PHOTOS: DAVID GENTRY

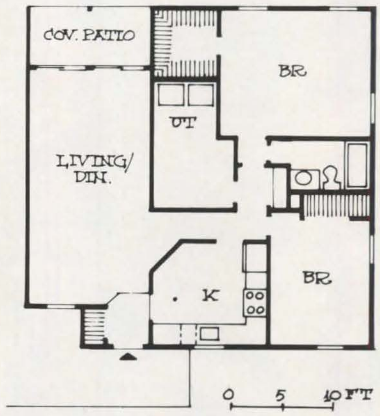


FOR MORE DETAILS TURN THE PAGE

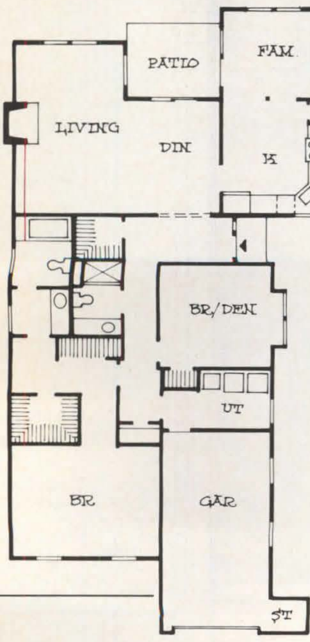


Townhouse plan *(left)* is designed to be linked in groups of four or five. This unit was merchandised to appeal to a single woman: Crestwood anticipates a quarter of the buyers will fall in this category. So far, 14 percent have. The neutrals-plus-cinnabar color scheme, seen in photo at right, was chosen to attract a sophisticated professional; model included mementos of her travels. Price: $60,490

PHOTOS: DAVID GENTRY



Condo flat *(plan, above)* might be purchased by a retired college professor and his still-working wife (the development isn't far from Princeton University). That's why the den was furnished as a retreat for the studious. Price: $59,490.



Detached home *(plan, left)* is a zero-lot-line design; glazing in bathroom is opaque. Family room shown *(photo, right)* is an option; area could also be devoted to a patio. As in other models, this one includes plenty of family photos of the imaginary residents, their children and grandchildren. "We wanted to show that buyers wouldn't be giving up their family memories if they gave up their old home," says Wolff. Base price $90,990.

PROJECT: The Communities of Concordia, Monroe Township, N. J. DEVELOPER: Crestwood Village Inc., Whiting, N. J. ARCHITECT: The Salkin Group, Cornwell Heights, Pa. INTERIOR DESIGNER: Armstrong Design Service, Lancaster, Pa. SALES OFFICE DESIGNER: Gordon Danieli Design, Ocean Township, N. J.


BRICK NAILS WOOD. AGAIN.*
Nothing's changed.
In spite of a tight economy and a tough housing market, consumers still prefer brick by more than 2 to 1 over wood. And in a recent survey, they said they'd even be willing to pay extra to get a brick exterior on their new homes.
Today's home buyer prefers brick for the same reason his parents did: quality. No other building material has the appeal of brick. And nothing can beat it for being fireproof, insect resistant, energy efficient and easy to maintain. So when you stack brick up against wood—against anything—it's no contest. Brick simply sells faster. Why build with anything else?
Brick Institute of America 1750 Old Meadow Road, McLean, Virginia 22101
BIA
46.6%
17.3%
*46.6% of home buyers prefer brick
17.3% prefer wood siding
Figures courtesy 1981 Survey, Professional Builder.
Circle 73 on reader service card

ON DEMAND FOUR WHEEL DRIVE.

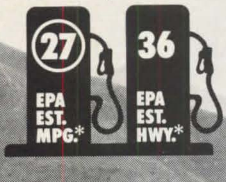
MAXIMUM TRACTION.

The only cars in America you can switch into four wheel drive without stopping are made by Subaru.

All other 4WD's, without exception, require a full stop before switching. But with *On Demand* Four Wheel Drive, the instant you need extra traction and safety, you simply flick the lever.

And immediately you go from full time Front Wheel Drive to Four Wheel Drive. (For tougher going, certain models offer a dual range gear box). Only Subaru gives you the advantages of both Front Wheel Drive and 4WD in one road hugging car.

Our Hatchback, Wagon and Brat are also great performers in other ways as well. Like:



Great gas mileage. Our entire line of 4WD's, for instance, is #1 among all 4WD cars in fuel economy.

IN MINIMUM TIME.

Low sticker price. We offer the lowest priced 4WD car in America. In fact, our 4WD's actually cost less than many cars with conventional 2 wheel drive.

Optimum options. The Hill-Holder™, a device on certain models that prevents drifting back on steep hills. Power windows.** Power steering.** Stereo/cassette. Cruise control.

Terrific value. For all of the above reasons, and many more, Subaru delivers maximum value per dollar. Not to mention independent suspension on all 4 wheels, rack and pinion steering and power assist front disc brakes as standard equipment.

Also standard are two features that come with every Subaru: reliability and durability. And you don't have to demand them. We do.

SUBARU®

INEXPENSIVE. AND BUILT TO STAY THAT WAY.

*1982 EPA ESTIMATES FOR OUR 4WD HATCHBACK. USE EST. MPG FOR COMPARISONS. YOUR MILEAGE MAY DIFFER DEPENDING ON DRIVING SPEED, WEATHER CONDITIONS AND TRIP LENGTH. ACTUAL HWY MILEAGE WILL PROBABLY BE LESS. **AVAILABLE ON CERTAIN MODELS.

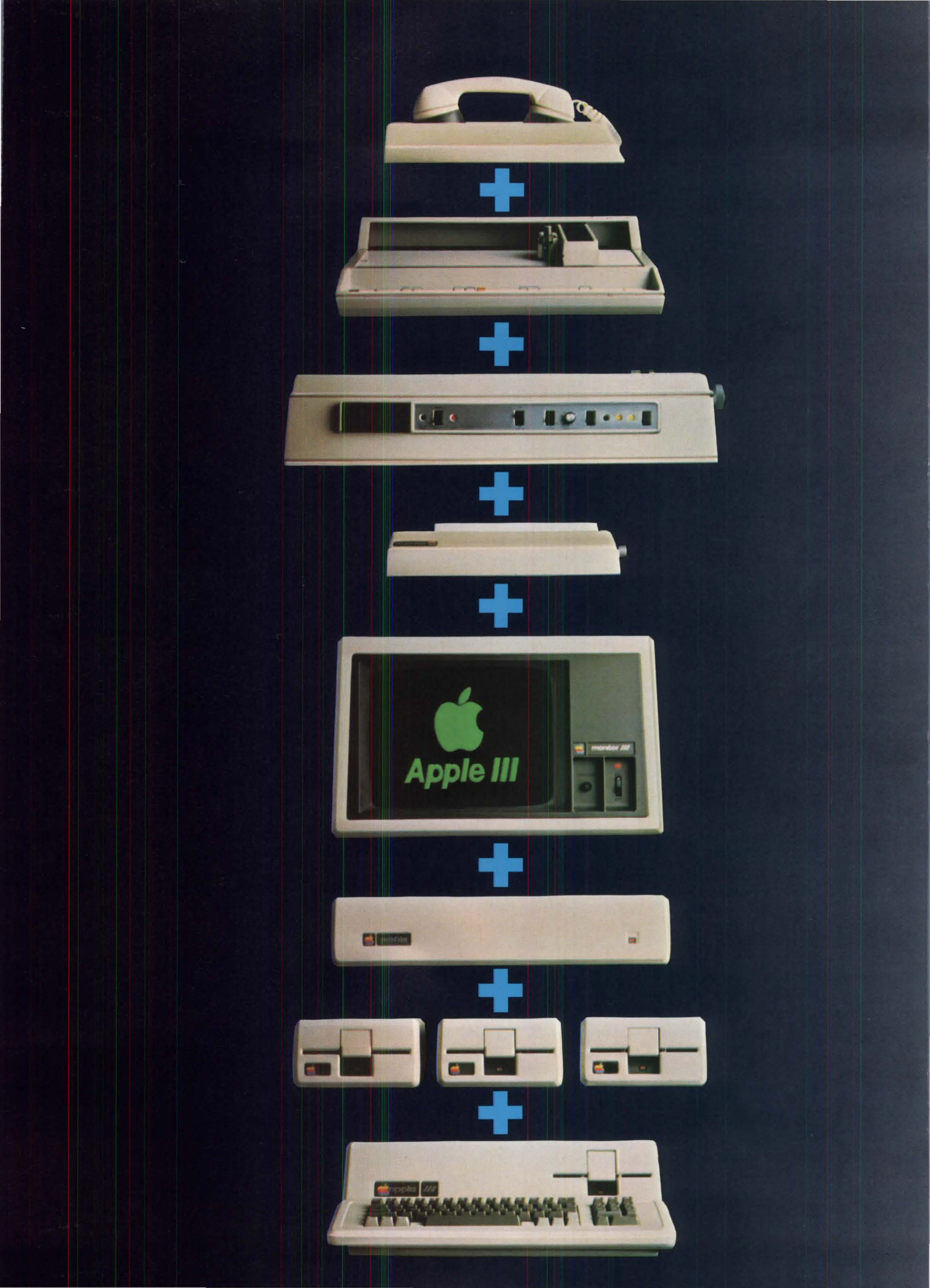
University develops improved and cheaper solar storage system. The University of Delaware Institute of Energy Conversion, Newark, Del., recently found a way to lengthen the life of an inexpensive phase change material, sodium sulfate decahydrate or Glauber's salt. A phase change material captures the sun's energy as it melts and releases the sun's energy when it freezes. One cubic foot of Glauber's salt can store as much energy as eight cubic feet of water or 20 cubic feet of rock-bed storage, and is less expensive than most other phase change materials. But continual freezing and melting breaks down pure Glauber's salt, rendering the material useless. Researchers found a way to mix the salt with a clay solution to prevent the breakdown. The university granted Insolar Inc. of Port Jervis, N.Y. an exclusive license to market the product in the U.S. According to company President Kurt Wasserman, some phase change materials on the market cost about $1 per lb. Glauber's salt will cost about 25 cents per lb. The company is presently testing the material and expects to go into production at the end of summer.

Builders are guaranteed to get the insulation they paid for when their subs use a monitoring system developed by Rockwool Industries, Denver. Called the Guaranteed-R™, the system weighs blown-in insulation as it is pneumatically installed in an attic, converting the weight to R values. This eliminates uncertainty over the actual R values installed, since blown-in material sometimes fluffs during installation and later settles, making measurement by inches unreliable. The system also makes it unnecessary to keep a running bag count during construction. A sealed Eaton/Dole 8000 digital computer scale, mounted on the chassis of a Ford LN 7000 heavy-duty truck keeps track of the insulation as it is installed. When an attic is complete, the system prints the R values and job specifications on a four-part verification card. The builder can request one copy of the verification card for his files. The complete computer system costs $12,000. The cost of the truck is extra, but the system can be installed on any 18,000+ GVW truck, 1979 models and newer.

Manufacturer of hardboard siding introduces first wood-fiber roofing product. Masonite Corp., Chicago, has expanded its line of hardboard products to include Woodruf™, an oversized wood-fiber shingle. According to the company, the new product is the only wood-fiber shingle on the market, and the first wood roofing product marketed by the company. The 12″×48″ shingles go up faster than standard size shingles and should provide a 20 percent labor savings. The product is designed to look and weather like cedar shingles. It was introduced last fall to selected markets. The company is currently developing a national distribution network.

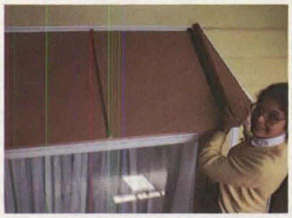
Want to know how much it costs to run a particular refrigerator or freezer for a year? Check the *1982 Directory of Certified Refrigerators and Freezers*. The 16-page directory is published by the Association of Home Appliance Manufacturers and lists estimated annual operating costs of 1,200 models. Costs are given for two electric rates: 4.97 cents per kwh and 5.64 cents per kwh. The directory also lists the type of defrost system, door style and total shelf area in square feet and volume in cubic feet for each model. Copies are available through some appliance dealers or through the association for 50 cents. Write: AHAM, 20 North Wacker Drive, Chicago, Ill. 60606

All-vinyl windows should account for 20 percent of the residential window market by 1990, according to Conoco Chemicals Co., Houston. The company manufactures polyvinyl chloride (PVC), a plastic used in all-vinyl window frames. Currently, these products make up only three percent of the window market, but the company hopes vinyl windows will catch on here as they did in West Germany. In 1970, PVC accounted for five percent of the West German window market; by 1980, market share increased to 45 percent. Presently, builders pay about the same price for aluminum and PVC windows, but aluminum frames are more expensive to manufacture. The raw materials in aluminum-framed windows contribute 68 percent to the window's price, while raw materials in vinyl frames account for 47 percent. Conoco says the material in all-vinyl windows is a good insulator, protects against condensation, won't swell, rot or corrode, and is a solid color throughout.

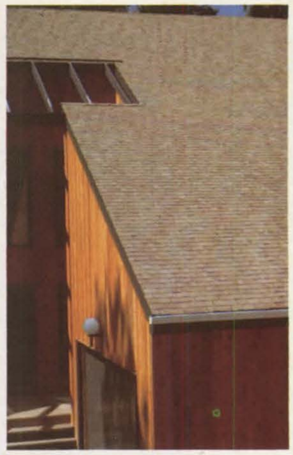
Apple III

"TimberHue" hardboard siding is offered in several styles: "Cross-Sawn Fir Panel Siding" is shown with "Great Random Shakes Lap Siding." Abitibi. *Circle* **231** *on reader service card*

Bay window roof is prefit to most stock-size bay window units. It comes in three pieces for easy installation. Product is vinyl-flashed and finished with a copper coating. Fypon Molded Millwork. *Circle* **232** *on reader service card*



Textured hardboard siding is available in three finishes; dune brown is shown. Wind Ridge™ panels, each consisting of eight random-width planks, come in 4′×7′, 4′×8′ and 4′×9′ sizes. Champion. *Circle* **235** *on reader service card*



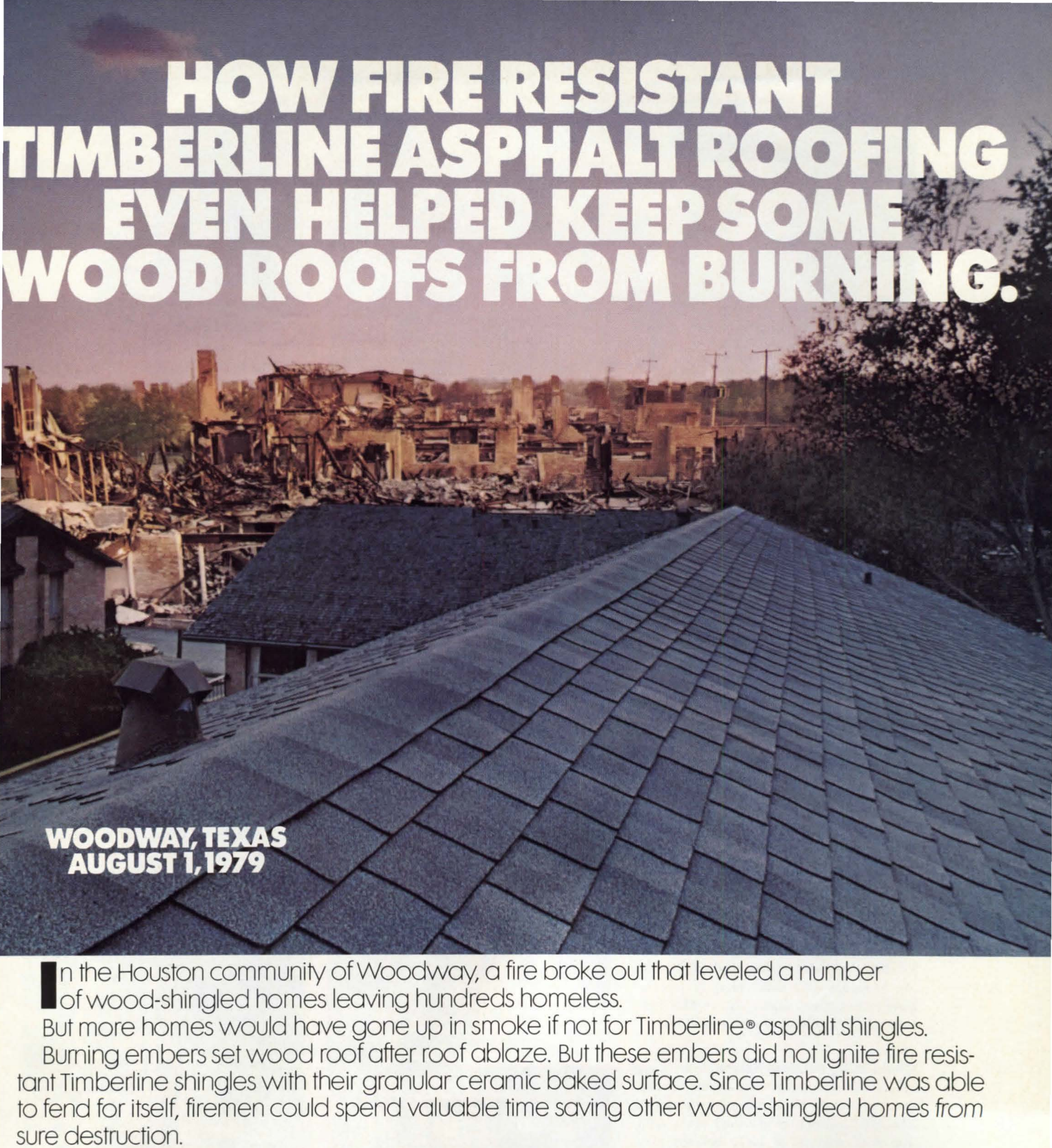
Asphalt shingles are offered in six colors: heatherwood; redwood; driftwood; colonial slate; resawn shake; cedar bark. Heavyweight Independence Shangles® have a Class C fire rating. CertainTeed. *Circle* **236** *on reader service card*

Cove II™ fiber glass asphalt reroofing shingle is designed for application over existing roofs. Product is available in four colors: woodtone, mosstone, charcoal black and bark brown. Celotex. *Circle* **233** *on reader service card*

Split-face brick-like exterior is one product in a line of custom concrete block and brick units. Other products, made to resemble terra cotta, stone or other building materials, are also offered. Ampress. *Circle* **252** *on reader service card*

***Bird Architect*® 70 heavyweight asphalt shingles** are random-edged and available in three textured tones: ebonywood, oakwood and cypresswood. Shingles have a Class C fire-resistance rating. Bird & Son. *Circle* **234** *on reader service card*

Fire-resistant stone-like veneer is manufactured from lightweight concrete and can be installed over most interior and exterior surfaces. A wide variety of stone types are available. Eldorado Stone. *Circle* **253** *on reader service card*



In the Houston community of Woodway, a fire broke out that leveled a number of wood-shingled homes leaving hundreds homeless.

But more homes would have gone up in smoke if not for Timberline® asphalt shingles.

Burning embers set wood roof after roof ablaze. But these embers did not ignite fire resistant Timberline shingles with their granular ceramic baked surface. Since Timberline was able to fend for itself, firemen could spend valuable time saving other wood-shingled homes from sure destruction.

Of course, fire isn't the only thing Timberline shingles stand up to. Its self-sealing agent works with the sun to make sure your investment won't blow away.

Needless to say, Timberline shingles bear an uncanny resemblance to wood. Their unusual thickness and deep irregular shadow pattern make it hard to tell the two apart.

So use Timberline shingles, either to put on a new home or one you're reroofing.

Because the only place in a home wood shingles belong, is in the fireplace.

GAF® **TIMBERLINE®**
ASPHALT ROOFING
On top of the industry.

TIMBERLINE® CLASS "A" FIBER GLASS SHINGLES ARE NOW BEING INTRODUCED IN MANY AREAS.

For more information write the GAF Corporation, Building Materials, 140 West 51st Street, New York, N.Y. 10020, or call toll free 800-223-0344. In New York State call 800-522-5250.

Circle **79** *on reader service card*

Ceiling fixture, from the "Chelsea Family" line, is 17″ in diameter and 13½″ in height. The shade, made of solid wood and cane, has antique brass detailing. Pictured above is model M-4310 which uses a bulb of up to 150w. Thomas Industries. *Circle* **223** *on reader service card*

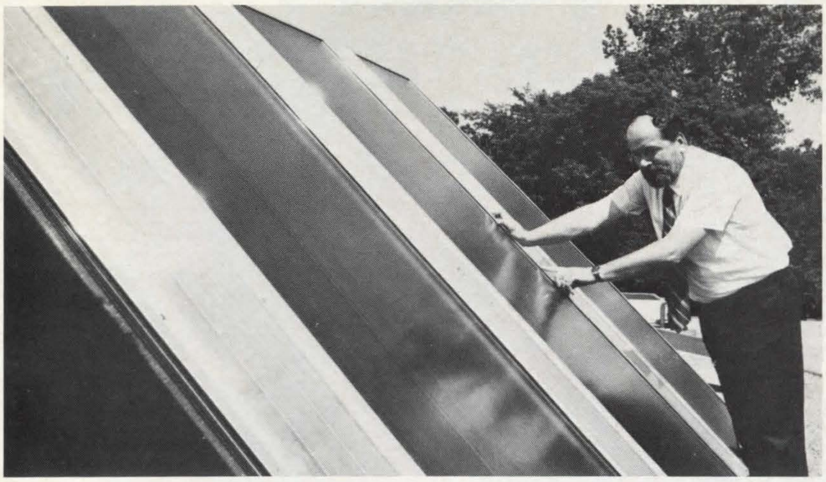
"Lyte-oak" fluorescent fixture has a solid oak frame and louvers supporting a luminescent acrylic panel. The "swing-down" frame simplifies relamping. The contemporary-style unit comes in four sizes: 1′×2′, 2′×2′, 1′×4′ and 2′×4′. All models are 5″ in depth. Lightolier. *Circle* **224** *on reader service card*

Tulip-shaped lampholders (shown installed in a track above) are one design from the "Brass and Glass" line. Fitters are offered in polished brass and antique brass finishes, with decorative beading. Shades are available with either clear or translucent etched glass. Halo/Div. of McGraw-Edison. *Circle* **226** *on reader service card*

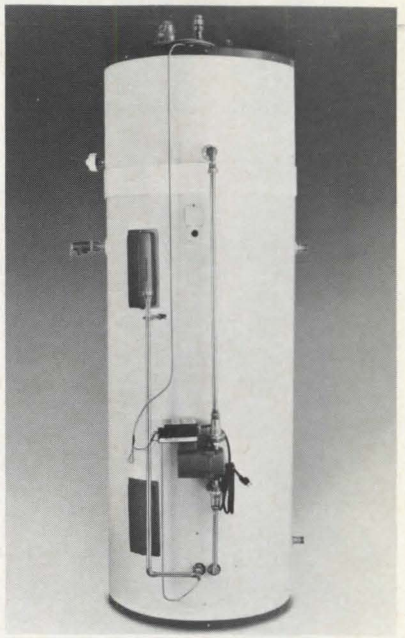
Chain-hung pendant fixture *(right)* is one of six styles offered. The frame is constructed of oak. Fixture is available with a choice of antique or polished brass trim, and with smoked or clear beveled glass panes. The unit pictured measures 22″ in diameter. Wasley Lighting. *Circle* **221** *on reader service card*

Decorative fluorescent ceiling fixture, from the Light Concepts™ line, is offered in four models. Acrylic shades are available in all-white (as shown) or white with a wild-flower design, in 10″, 14″ and 19″ diameters. The trim is antique brass. This circline operates on standard 120v household current. Lithonia. *Circle* **222** *on reader service card*

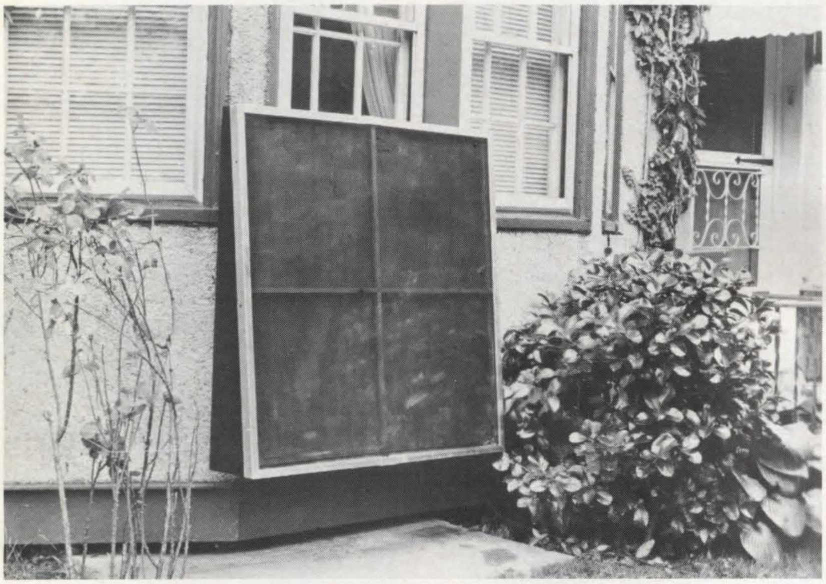
Incandescent dimmers, available in 600 and 1000 watt models as shown above, have lever-actuated snap switches. Solid-state circuitry has a noise suppression feature to minimize interference with radios, televisions and intercoms. "Tog•L-Dim•R" units are available in a variety of colors. Power Controls Corporation. *Circle* **225** *on reader service card*



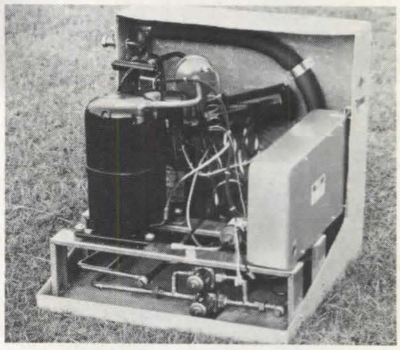
Dual function solar collector provides chilled water for air conditioning, as well as hot water for heating. Manufacturer says payback period will be shorter than that of systems designed for heating purposes only. Zeopower. *Circle* **237** *on reader service card*



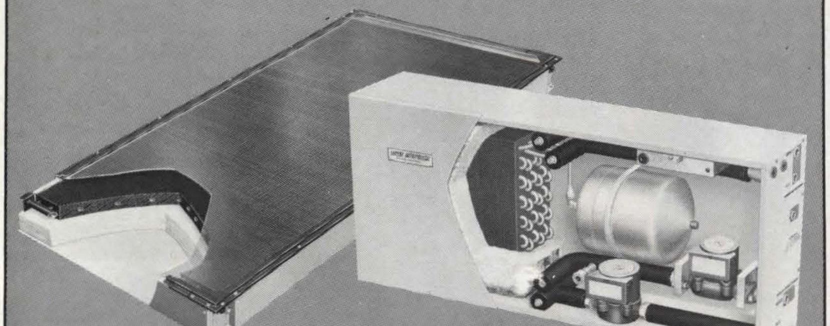
Insulated solar tank unit is part of a domestic hot water system that includes: evacuated tube collectors, mounting structure, roof penetration package, controller, pumps and valves. Sunmaster. *Circle* **240** *on reader service card*



Sun Wedge™ window-mounted solar air heater, designed to heat areas up to 800 sq. ft., uses a thermostatically controlled fan to circulate air. According to the manufacturer, the wedge-shaped collector is 20 percent more efficient than a comparable flat-wall collector. The preassembled unit weighs about 35 lbs. and requires no braces, ductwork or plumbing. Sun Powered. *Circle* **238** *on reader service card*



Solarvector® pool/spa water heater is part of a system featuring an unglazed collector that the manufacturer says is 1/10 the size and weight of a conventional panel. CVI. *Circle* **241** *on reader service card*



Solar domestic hot water system, used with a home's conventional water heater, consists of a 32-sq.-ft., roof-mounted collector and a transfer module which includes an insulated solar heat exchanger and two circulating pumps. The Solarmate® is available in one- or two-collector capacities. Lennox. *Circle* **239** *on reader service card*

Hot air collector, for in-wall installation with ordinary carpentry tools, provides space heating. Panel shown between the windows in photo above is designed for use on south-facing facades. Multi-Structures. *Circle* **242** *on reader service card*

THEY'LL HEAR GE QUALITY EVERY TIME THEY ANSWER THE DOOR.

Now you can offer them a broad line of decorator chimes for their new home .... all bearing the General Electric name .... a trusted mark of quality, reliability and dependability.

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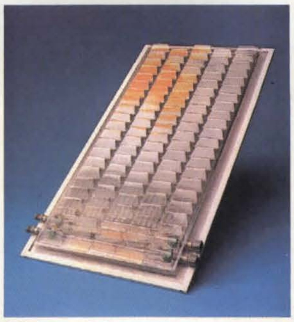
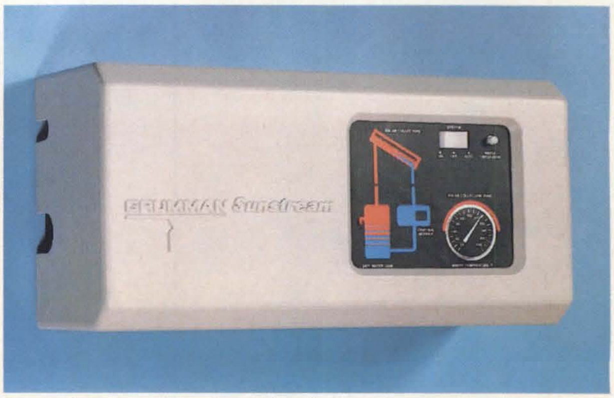
"Exolite" double-skinned acrylic glazing can be used in passive solar applications, as shown above on a remodeled rowhouse. The two layers of acrylic are separated by integral ribs. CYRO Industries. *Circle* **243** *on reader service card*



Lightweight solar panel, for heating and domestic hot water systems, incorporates prismatic design to enhance absorption capability. Country Wide. *Circle* **244** *on reader service card*

"Airfloor Solar System" is a heat storage/air distribution system, housed in a hollow concrete floor as shown above. Airfloor Systems. *Circle* **245** *on reader service card*



Open loop module for solar hot water systems houses all control components. The module, for use in climates where annual degree days don't exceed 500, automatically keeps water from overheating. Grumman. *Circle* **246** *on reader service card*

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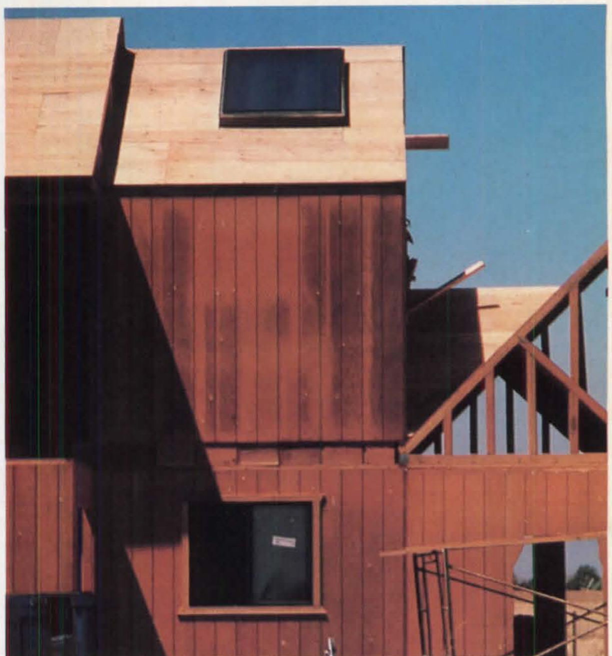
Nonflammable solar panel is part of the "Solarpak" heating system for hot tubs and above-the-ground spas that also includes: pump, tubing, temperature control, sensor cable and fittings. Raypak. *Circle* **247** *on reader service card*



Passive solar collector, measuring 4′×6′7″×1′6″, is part of the Hot Stuff™ water heating system that operates on standard line water pressure. Collector is designed for recessed installation in new construction. Sunloop. *Circle* **248** *on reader service card*

Passive solar water storage unit features heat exchanger surfaces constructed of corrugated steel and supported by birch plywood panels. Optional top panel can be used as shelf, bench or table. Solar Concept. *Circle* **249** *on reader service card*

Compact Steamist® generator *(above)* converts bath area into a steambath/spa. A stainless steel boiler with solid-state controls, is encased in a 17½″ × 15″ × 4½″ steel jacket, and can be located as far as 25′ away from bath or shower enclosure. Unit comes with a 60-minute remote timer. Steamist. *Circle* **211** *on reader service card*

"The Outdoor Sauna Cabin," shown assembled above, is constructed of western red cedar. The sauna room package is available in 6′×6′ and 6′×8′ sizes; it includes all materials and equipment necessary to build the unit. Amerec Corp. *Circle* **206** *on reader service card*

Pre-cut sauna *(right)* can be designed to fit a wide range of room sizes. Interior is constructed of kiln-dried redwood, and hardboard exterior has a laminated wood-like finish. Timer can be set up to 12 hours in advance. Viking Leisure Products. *Circle* **207** *on reader service card*

Acrylic spa *(above)*, the Avanza™, measures 6′×5′ and is 30″ deep. Unit has contoured seating for four persons. Six directionally adjustable Whirlpool™ inlets offer whirlpool action. Seven colors are available. Jacuzzi Whirlpool Bath. *Circle* **212** *on reader service card*

Sauna heating unit *(above)* uses infra-red quartz lamps to deliver uniform heating and soft lighting. U.L.-listed heater warms up in 20 minutes and has a built-in fan to circulate air. Vega Sauna. *Circle* **209** *on reader service card*

Fiber glass spa *(above)*, with built-in seating, is available in six colors. "Cleopatra" features include automatic water level control, filtering and heating systems, skid-resistant floor and step treads. Wiedemann. *Circle* **208** *on reader service card*

Spatub™ *(above)* is a fiber glass tub, finished with wood walls. Unit comes unassembled. California Cooperage. *Circle* **213** *on reader service card*

Octagonal acrylic spa *(right)* is 36″ deep and seats six. A two-speed pump system includes four jets. Avalon Spas. *Circle* **210** *on reader service card*

Revolutionize Your Home With a Total Control System for Convenience, Security and Energy-Savings.

Leviton's new programmable Home Control System sets a new standard in modern living.

Now Leviton offers builders the next generation of electronic controls that uses existing AC wiring to command lighting and appliances anywhere in the home. An outgrowth of Leviton's industrial/commercial system, the Home Control System is designed for easy installation, operation and programming. And it's installed cost is no more than a deluxe refrigerator.

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This single system can be used to control indoor and outdoor lighting, TVs, stereos, air conditioners, water heaters, coffee makers, pool pumps — virtually any household appliance.

For a total designer look, components coordinate with Leviton's popular Decora® line of rocker switches and touch dimmers. All components are backed by Leviton's one-year limited warranty.

To get a Free Home Control System for your model home, free demonstration or more information, call our Techline Collect at 212-631-6555. Or write Leviton, Dept. HCS, 59-25 Little Neck Parkway, Little Neck, N.Y. 11362.

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Hewlett-Packard on the professional use of personal

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That's why we've developed these five very different personal computers just for people like you. And configured each one specifically to operate in technical environments. To interface with instruments and other computers. To give you all the computing power and all the high-level graphics capability you need.

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As a result, you can practically design your own system. And have a personal computer that fits your professional environment just like a real craftsman's tool fits your hand.

Now we'd like to show you, in some detail, just what we mean.

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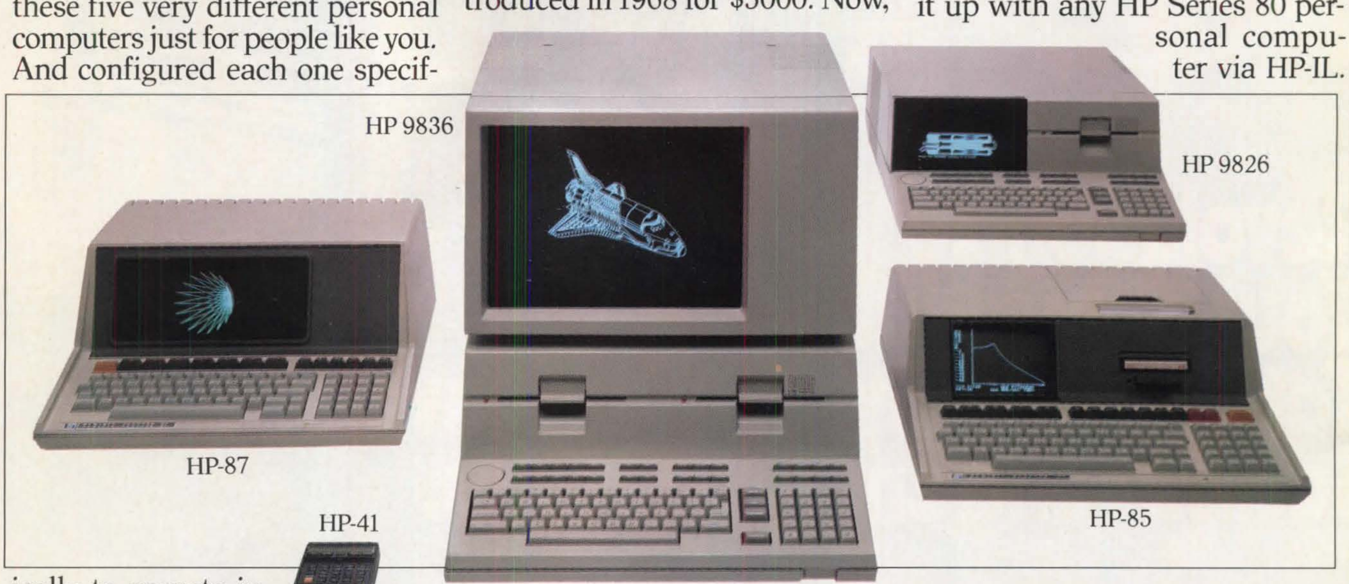
You can even use your HP-41 as a remote data collector, then link it up with any HP Series 80 personal computer via HP-IL.



The HP-85.

Complete with an integrated tape drive, printer and CRT, this typewriter-size system fits easily in a crowded work area. Where you can use its impressive number-crunching power any number of ways. For waveform analysis. Regression analysis. Linear programming.

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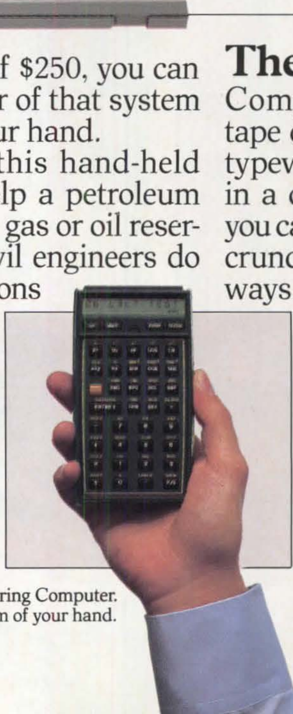

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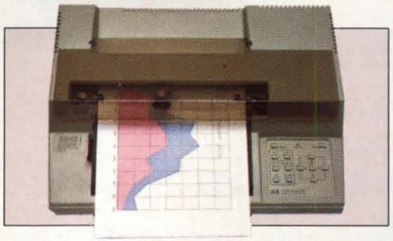

on-site computer, a major data net-work, or a national timesharing service.

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The HP-87.

The HP-87 sets a new level of performance for personal computers in its price range. You get built-in screen graphics, up to 544k bytes of RAM, and an 80-column integrated CRT. Plus the same flexible I/O structure for control applications as the HP-85. Because of its extended memory, you can take advantage of a VisiCalc® PLUS worksheet with up to 16,000 cells. And since the HP-87 has a built-in HP-IB, it's easy to add instruments, disc drives, printers, plotters, and even a graphics tablet. To give you even more to work with, there's an optional CP/M® module. And all applications developed for the HP-85 in BASIC are upward-compatible to the HP-87.

The HP 9826.

Designed to handle high-speed data acquisition and tests, the 9826 has a powerful MC 68000 CPU, a built-in flexible disc, up to 2 megabytes of read/write memory, and power-fail protection. Plus a built-in HP-IB interface and a variety of other interface cards, so you're free to concentrate on testing. Instead of system configuration.

To give you even more flexibility, you can run applications in HP-enhanced BASIC, HPL, or Pascal. We've also built a CRT display with advanced graphics into the system, so you can see and interpret your data the instant you get it. And since everything about this system is built for speed, we've developed a special rotary control knob that lets you edit programs, calibrate instruments, and control motor speed, all with fast analog inputs.

The HP 9836.

This full-function workstation does it all: design, computation, and high-speed testing. Because it gives you all the high-performance features of the 9826. And then some. With the 9836, you get a big, easy-to-read CRT. Sophisticated graphics capability. Two flexible disc drives. Room for up to two megabytes of memory. And an even longer list of engineering software and peripherals to choose from.

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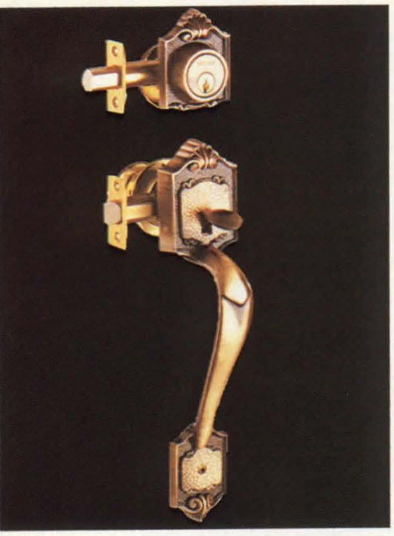
Keyless security system can handle 100 tenant phone numbers and four ten-digit combinations. The microprocessor-controlled system has vandal-resistant steel control panel which is enclosed in weather-resistant, hooded cabinet. Marlee. *Circle* **271** *on reader service card*

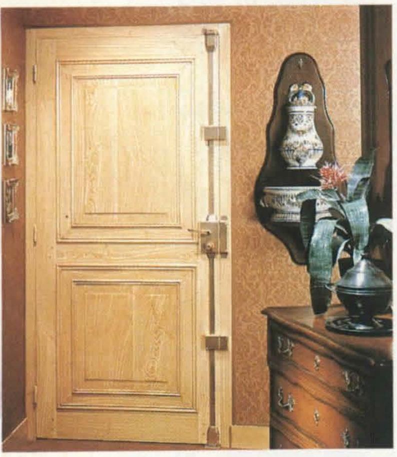
"U-LOK" bicycle parking rack allows for overlapping handlebars to maximize space utilization. It can be installed in a variety of configurations. The locking stand secures the bicycle frame and both wheels without risk of damage. Sunshine U-LOK. *Circle* **272** *on reader service card*

Security racks for bicycles, mopeds and motorcycles, with Nylabond™ coated steel bar, locks frame and back wheel. Model RR-200 (shown above) has permanently installed vinyl coated recoiling alloy steel cable to secure front wheel as well. Racks are installed in concrete with a vandal-resistant Guard-Nut® kit. Rally Racks. *Circle* **273** *on reader service card*

Wall-mounted security control panel is designed for use with the manufacturer's "Lifesaver" wireless system which monitors a building for fire, intrusion, personal emergencies and maintenance problems. The panel accommodates any backup battery. Fyrnetics. *Circle* **274** *on reader service card*



Grip-handle lockset for entrance door has an inch-long dead bolt with a steel insert. Bolt operates by a thumb turn on the inside. The "Parthenon" set comes with two keys and is available in antique brass and antique bronze finishes. Schlage Lock. *Circle* **275** *on reader service card*



Seven-point locking system includes: the "450 Series" cylinder, a nickel-silver I-shaped key and a vertical steel bar mounted from top to bottom on the leading edge of the door. Fichet. *Circle* **269** *on reader service card*

Garage door opener automatically locks door upon closing. Opener features include: heavy-duty, ⅓hp motor and release system that allows manual operation. Allister. *Circle* **270** *on reader service card*

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Focusing on a variety of specialty products

Today, more than ever, you need all the help you can get to capture a prospect's attention. Using special products in your model homes can be a big help. Below is an assortment of booklets and brochures that describe a few such products.

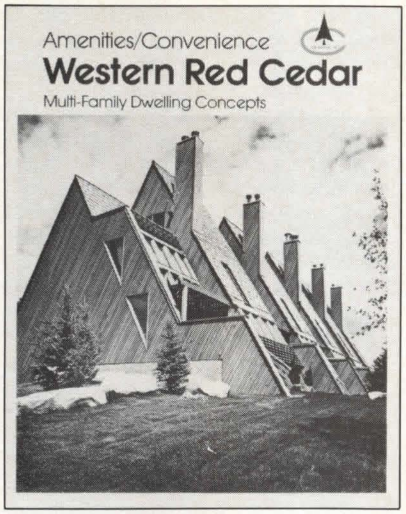
A four-color foldout describes **the "Fifth Wall" system,** a fold-down bed/table combination. Included in the six-page brochure is a diagram showing how the system provides more usable space in a 360-sq.-ft. apartment. Optional modules, such as night stand and recess cabinet, are also pictured and described. SICO. *Circle* **300** *on reader service card*

The SICO retractable bed is incorporated into a line of **"off-the-wall" bed systems,** discussed in a four-page black and white brochure. The modular wall systems come in a variety of laminate patterns and wood finishes, some of which are shown. Detailed product information discusses frame sizes and patented construction. Line drawings portray each of the modules available, plus such accessories as light bars and drawer chests. Off The Wall Beds. *Circle* **301** *on reader service card*

All-wood circular and spiral stair systems are the subject of an eight-page brochure. Included are: four-color photographs of six models; data on finishes, dimensions and other construction details; tread specifications; installation instructions; and a listing of woods offered for stair construction. Ericson Stair. *Circle* **302** *on reader service card*

A six-page booklet presents **a line of brass, enameled and stainless steel sinks.** A variety of circular units for both bathrooms and kitchens are exhibited in four-color photographs and line drawings. Accessories shown include teak chopping boards and plastic coated wire baskets. Also featured: rectangular, double-rectangular and double-circular models. ABBAKA Trading Company. *Circle* **311** *on reader service card*

A four-color foldout on **a snap-together vinyl rain gutter system** provides photographs and detailed instructions for installation. Features shown and described include reinforced gutter rim, heavy-duty brackets and permanently glued joints. The publication also provides a checklist and line drawings of accessories. Plastmo. *Circle* **308** *on reader service card*



The innovative use of **western red cedar products** in the design of new multifamily structures is presented in a four-page brochure (*see photo above*). Color photographs are included. Western Red Cedar Lumber Association. *Circle* **314** *on reader service card*

A flyer describes the "System V" **double compartment sink.** System features—including hardwood cutting board, concealed-mount hi-arc faucet, instant hot and chilled water dispensers and disposer—are described and illustrated. The system is shown installed in a four-color photograph. Elkay Manufacturing Company. *Circle* **304** *on reader service card*

"Castile" concrete roof tile is presented in a package of literature that includes technical data, detailed application recommendations and numerous installation diagrams for each type of treatment. The tile is shown installed in four-color photographs. Text describes physical properties and weather protection advantages. Also included: an ICBO research report evaluating the product. Celotex-Marley. *Circle* **305** *on reader service card*

A two-circuit **home security system** is presented in a 16-page booklet. Text, with four-color photographs, explains the "protective circuit" which includes interior detectors, as well as exterior detectors that secure areas of entry and exit. Also detailed: the "emergency circuit," which accommodates any number of "panic buttons" located throughout the house. Features highlighted in publication: time delay/instant alarm switch; power and arming status indicators; and an arm/disarm/reset key. Technical specifications and a representative wiring diagram are included. NuTone/Scovill. *Circle* **303** *on reader service card*

A 20-page booklet, with four-color photographs, describes the Mitel line of **telecommunications products.** The range of compact telephone switching systems—from the high capacity SX-2000™ to the SX-2™ which is compatible with existing standard household wiring—is illustrated. Product features are summarized. Mitel. *Circle* **306** *on reader service card*

A four-color flyer describes the "Air-Vac" **built-in vacuum cleaning system.** A floor plan schematic and photographs showing various uses for the system are included. Product features are listed and explained; music and intercom system accessories are pictured. Music & Sound. *Circle* **310** *on reader service card*

Natural wood products—including shelving and mantels, mailbox posts and beams—are presented in a series of color flyers. Touchwood/Div. of Charles Craft. *Circle* **309** *on reader service card*

A four-page brochure introduces the "Tessitura™ II" collection of **wallcoverings** and companion fabrics (*see photo above*). Twenty-five designs are shown in color illustrations. James Seeman Studios. *Circle* **313** *on reader service card*

A four-page color catalog describes the TVRO-1 **satellite system for cable reception** in the home. The catalog is accompanied by a 16-page brochure giving details and specifications on the TVRO-6000 multiple access satellite receiving system for commercial dwellings. Third Wave Communications. *Circle* **307** *on reader service card*

Readers take sides in Roger Wells' 'battle for

An ex-builder's postscript

HOUSING: I fully agree with Roger Wells' remarks in the February issue of HOUSING.

The old days are gone and not coming back and builders need to admit it.

As a veteran of a number of zoning battles, I would add as a cause of our problems the attitude in every community of "let me be the last to move here." Any changes in zoning or development standards are violently opposed by voters. Often even the use of existing minimum standards brings loud outcries for upgrading.

Politicians, at any level, do not have the guts or incentives to antagonize voters in order to make the decisions necessary to make future housing available. Nor do they yet see the necessity for it.

There are two other steps which need to be taken immediately. Local and national associations of builders, manufacturers and suppliers need to be forming task groups to look closely at existing standards for codes, development standards and paperwork, and [should be] developing some practical alternatives and modifications. Local and national public relations campaigns should be started to educate the public and particularly public officials . . . that it is to their own advantage to begin now and not wait until the clamor for housing forces some emergency action.

A close look at much of our present regulation would turn up many changes that could be made without much opposition. For instance: reducing lot sizes or setback lines, permitting zero lot lines, or allowing some flexibility in trade-offs—all without any change in the zoning map. One would hope the building media would take a leadership role in this . . . it will be a long slow process against official apathy and public resistance.

I am the second generation of a three-generation family building and development business. After 45 years we no longer build homes.

STUART L. FABER
Cincinnati, Ohio

Publish someone 'more sensible'

HOUSING: You wasted three pages of perfectly good space on Roger Wells' "Speaking Out." I'm not interested in reading the comments of a paranoid, "commie-behind-every-tree" type.

If Wells had his way we'd very likely be living in a society controlled by a small, super-wealthy ruling class with the remaining 85 to 90 percent of the populace providing cheap labor.

Find someone who's more sensible and less fanatical for future issues, please.

MARY WILDER
Tacoma, Wash.

What about rural situations?

HOUSING: I agree, for the most part, with Roger Wells' approach. Being a landscape architect/planner, I believe that if a developer uses a reputable firm, he will achieve a high standard of development. But, as professionals, we must ascertain who are the "blue chip" developers. It is our responsibility to the environment to choose clients and sites carefully.

I disagree with Mr. Wells' comment: "Get more pro-business people into government." This is a valid point if we are discussing Philadelphia, but it will never happen in a rural community. . . . We can't establish a "pro-business bureaucrat" in a rural community that depends on farming, fishing, etc. as a means of support. I do suggest that we as planners . . . must educate local government officials on good planning practices.

FRANCIS X. DONNELLY, ASIA
Brown, Sullivan, Arfaa
Philadelphia, Pa.

Wells was too reticent

HOUSING: Roger Wells was much too elegant and reserved in describing the attitudes and actions of bureaucrats who have absolutely no care or interest in the public good, and only want to preserve their empires for their continued wellbeing as guardians of the public trough. Perhaps there is only one way to get all problems solved with a single penstroke.

We should organize through a national group (i.e. Common Cause) and demand that any candidate for any office (state and federal) be required to sign a contract with the voters in which the candidate agrees to work only for the needs of the public and the public good. The candidate then cannot vote . . . for selfish benefits, benefits for elected officials or for those who are supposed to be our public servants. . . .

Cutting bureaucrats' budgets to true bare bones funding would also help to keep them in line and eliminate costly waste of public funds. It is a well-known fact, as published by a leading professional magazine last year, that $18,000 is added to all house sales prices because of bureaucratic actions that have absolutely nothing to do with the health and safety of a dwelling occupant. By paring such actions, one can then create truly "*affordable housing*."

WALT STANLEY,
Housing Alternatives Unlimited Structures
Santa Maria, Calif.

'Believers' should get involved

HOUSING: I feel compelled to respond to Wells. I strongly support his opinions about how our free enterprise system is being strangled and not allowed to work. . . .

I would like to suggest that there remain a very formidable number of us free enterprise believers. We must first recognize our permissive attitude. My contention is that we watched idly as the series of events causing our present mess evolved. We were aware; perhaps we voiced our concern; nothing more. If we are truly concerned about where our children are going to live we must dedicate more of our energy and become more involved at all levels of our government and business associations. We must train ourselves for this battle; involvement could be our first learning experience in the training process. . . . We will become more knowledgeable, allowing us to set noteworthy examples and become recognizable leaders in the battle for saving our free enterprise system. Roger warns us to "start now before we are irretrievably more socialistic than capitalistic"—a warning I find very frightening.

DAN EDERER
Debco Builders Inc.
Wyoming, Mich.

Developers aren't innocent

HOUSING: Developers continue to battle for free enterprise and yet, contrary to Mr. Wells' belief . . . have caused potentially, irretrievable damage to both the capitalistic system and to the environmental quality of their communities.

The public planning agency and the developer have been intimately intertwined. Broad stroke comprehensive planning is continually "updated" (or compromised) to continue the employment of the planner or . . . to accommodate the short range goals of the current market. Thus, the aberration of scatter-sited PUD's with little or no social service structure, no major outside support roads, etc. Higher-density PUD's have basically failed, as have the grandiose broad stroke plans, because homeowners prefer their own site with its own plot of mud in a traditional, thus marketable, style.

Of all the cost-prohibitive detriments to more and better housing, interest costs currently serve high on the hit list. Next, come the developer profits on taking open "farm" land and cutting it up. Third down the list should come the actual cost of construction. The plan approval process lies somewhere farther down. And most of this latter process is avoided if you just serve up the same cookie-cutter individual house sites (and at least locally) all the politicians can, thus avoid commitments to roads, sewers, etc.

. . . Mr. Wells alleges that local planning boards are to a strong extent made up of hired mid-level management corps. At least three boards in this region are not. They are men and women owning and operating their own businesses—many wondering what is this fabrication called The Comprehensive Plan and when do planners implement [it]? . . . The argument of a board being against profits would be inconsistent with their own business ethic. However, considering the land in development as the "last cash crop" with little evidence of social amenities beyond the beautiful drawing, is there not a wanton disregard for which the developer shall now pay in bureaucratic run around? Secondly, *is* there that intense risk which warrants the rewards and profit? Local practice is to purchase *contingent to successful rezoning*. Thus, we borrow some other party's assets, gamble and take *all* at the original value if the rezoning is successful.

CHARLES M. WEYMOUTH, AIA
Weymouth Architects
Wilmington, Del.

free enterprise'


SPEAKING OUT

Let's do battle for free enterprise

We've developed a cadre of government workers and professionals who are damaging our free-enterprise system. We must teach our young people that free enterprise can work to their advantage if they direct it properly

Comment-causing column ran in February 1982. Wells is a New Jersey-based land planner.

A councilman 'speaks out'

HOUSING: I am a councilman in Tumwater, a small city (7,000 citizens) with a mayor and seven councilmen. I sit on several committees and boards. Some of these are city and some are intergovernmental. All but one board are advisory. When you couple this with the planning commissions, intergovernmental staff meetings, regional planning and "grants" (both state and fed), the elected officials are the last to know. By that, I mean the elected officials are hearing "recommendations" done by or guided by the staff. It is seldom that an elected official has the time or the true interest to study anything in depth and, therefore, relies too heavily on staff recommendations.

What I am saying is that *staff runs the world*. Take a look at any ordinance that has been passed and then ask these questions: Did the elected officials develop the ordinance? Did the planning commission develop the ordinance? Did the staff develop the ordinance? If the elected officials did not develop the ordinance, did they give direction covering the citizens' desires as the only representative of the citizens? . . . If the elected officials accept the recommendations of commissions and staff (including the public's input) does the ordinance truly represent the citizens' desires and needs?

I am an unpaid elected official, so I have no other axe to grind except representing the citizens to the best of my ability. When I vote in council, I am fully responsible to the citizens for my actions. What responsibility do the staff, commissions, committees, etc., really have?

Well, I should get off the "soap box." My intent when I sat down to write was to say that "Let's do battle for free enterprise" is a damn fine article.

P.H. "SKIP" SCHMIDT,
General Contractor,
Concept and Construction
Tumwater, Wash.

How about spreading the word

HOUSING: At last! Somebody has articulated the thoughts that many developers have had over the course of the last few years as regulations and planning processes became more and more convoluted.

If reprints of his article are available I would like to have 25. I plan to send them to 25 deserving individuals of the type Mr. Wells has taken to task so ably in his excellent article.

My congratulations to Mr. Wells and to you for the excellence of your publication.

ALASDAIR T. MUNRO, Partner
Munro, Jennings & Doig
Waitsfield, Vt.

Reprints of any HOUSING article can be ordered. Minimum quantity: 500.

Public planners reply

The following letter was addressed to Mr. Wells; a copy was sent to HOUSING with the following comment: "[You] are to be commended for presenting a variety of viewpoints on housing problems. Too often, magazines and journals consider only uni-dimensional approaches to complex problems, resulting in self-congratulation among concurring readers and alienation among those who oppose those approaches. Thanks for being more controversial and stimulating."

We read with interest your article in the February 1982 issue of HOUSING. We certainly agree with you that the role of today's planner must be one of a "caring pragmatist." A public or private planner who operates in an arbitrary or inflexible manner, without regard to all the costs of development, does not properly serve his or her profession or employer and clearly deserves your label of "a hack."

We also agree that you overestimate the effect that public planners—even the ones that *are* "hacks"—have on development costs. The abundance of resources that fueled the housing supply boom of the '50s and '60s has been depleted and free market competition for increasingly scarce land and building materials has driven up the price of these items. Labor unions, in an attempt to share in the benefits of the housing boom, have demanded higher wages and thus contributed to the rise in housing costs throughout much of the nation. High interest rates have inflated the returns developers must seek in order to have an acceptable benefit/risk ratio, resulting in more expensive housing. These same interest rates have also caused many marginal operators to seek safer investments, thus reducing the supply of new housing and further increasing its price.

The bulk of recent housing cost increases have been outlined above. Where regulatory costs *are* high, however, developers must share the blame with public agencies. Many times the excessive processing times referred to in your article are the result of overly sophisticated development proposals being pushed in communities which have neither the planning staff nor the experience to handle them. Low densities and stringent site-improvement requirements are often reactions to past abuses by developers or are motivated by the desire to maintain existing community standards. Even if these regulatory costs are reduced, what guarantee does the public agency have that the savings will be passed on to the housing consumer when unit prices are based on market value, not developer cost?

The housing projects of the '50s and '60s that you tout so highly were constructed at great social and environmental cost. The subdivision which sheltered your "little Dutch-colonial house," for instance, was probably constructed on top of a cheaply acquired New Jersey orchard a long way from the urban services it required. Development of this sort has eliminated productive farmland and has stretched municipal budgets to their limits, transforming formerly local concerns about farmland conversion and municipal bankruptcy into national issues. If the little house seems overpriced today, that is merely the result of these hidden development costs catching up to it, along with a healthy dose of "creative marketing" promoting its quaintness. To long for the good old days of development is to long for irresponsibility on the part of both the public and private development team.

The high development costs of today are indeed partially attributable to excessive regulatory actions, but there is no indication that their reduction will result in less expensive housing and, hence, no incentive for offending public agencies to change their ways. Responsible planners and developers need to work together, as you suggest, to provide consumers with less expensive housing opportunities. However, because of questionable development practices of the past and present, public planners must be forgiven if they initially view such arrangements with an element of suspicion.

JAMES P. MCKNIGHT, M.S.
STEPHEN O. PEFFER, M.S.
SCOTT SHUFORD, M.R.P.
Merritt Island, Fla.

We invite your reaction to the views expressed on these pages—or to anything else that affects your interest and those of the housing industry. Write to: Natalie Gerardi, Editor in Chief, HOUSING, 1221 Ave. of the Americas, New York, N.Y. 10020. Due to space limitations, we reserve the right to edit any letters that we publish.

1982 BUYERS' GUIDE CORRECTIONS

Listings for General Electric Wiring Service Dept., 225 Service Ave., Warwick, RI 02886 [Phone: (401) 886-6200] are amended as follows: Delete company listing under Electrical Wire on page 218. Add company listing to Chimes and Bells category on page 160 and to Electrical Fittings and Devices category on page 217.

Preventive merchandising: It was never more important

This issue marks the return of what for many years was one of the most popular features of this magazine—an annual report devoted to new-home merchandising in all its forms, including how to set up sales offices, furnish models, train and motivate salespeople, build traffic, etc.

When HOUSING, as HOUSE & HOME, started publishing issues on this subject back in the '50s, professional merchandising was the exception rather than the rule in the housing industry. Thus, we not only had to teach builders how to do it, but we had to convince them it was necessary in the first place.

Today, few would deny the value of a functional sales office, models decorated to appeal to the target market, and salespeople who understand prospects' motivations and concerns. With money in such short supply, however, the merchandising budget is often the first place where builders cut corners. Which is a mistake, as the benefits far outweigh the costs.

Good merchandising is simply whatever is necessary to get your message across to prospective buyers. And it doesn't have to be expensive, as you'll see in the section beginning on page 41. The one thing we found in combing the country for effective merchandising ideas is that there are no hard and fast rules anymore. The job at hand is to reassure and inform the prospective buyer and to motivate the sales staff—to keep both from being demoralized by current market conditions.

One way to combat demoralization is to let people feel they can get out there and do something, that they can have an effect. That's why there's now a trend towards deals custom-tailored for particular buyers. This places more responsibility on the salespeople, but it also affords them an opportunity to be creative. That, in itself, is a strong motivator.

To help salespeople deal with these new responsibilities, many builders are offering regular sales training sessions *(see page 56)*. They're also providing such tools as the Home Ownership Benefit Work Sheet devised by T. Richey & Co. that is shown on page 61. We've added another tool of our own—a chart showing the monthly mortgage costs for upgrades and extras under four different mortgage plans. This chart *(page 62),* which was prepared for us by Dennis R. Kelley, senior vice president of the LaSalle National Bank, Chicago, and a frequent speaker at HOUSING magazine seminars, allows prospects to evaluate different trade-offs according to what they would add to the monthly payments—and in the process participate in the buying decision in an informed way. We'd like to see building product manufacturers offer similar information in their brochures or sales literature.

For we're dealing with a buyer today who is both hard-nosed and emotional. He's hard-nosed in wanting to understand and control the financial and tax angles of his home purchase, and he's emotional in his response to the amenities that denote "the good life" to him. As Ed Richardson, sales manager of Ray Ellison Homes, San Antonio (who helped us with the sales training story beginning on page 56) commented: "When we go back and talk to people who bought homes, they don't talk about the financing, they talk about the fireplace." Salespeople need all the help we can give them in dealing with this prospect with all the needs and wants of previous generations, but who has to be reassured about his ability to buy.

—G. ROBERT GRISWOLD

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