The top 50 “Gorillas” (Housing Giants per Professional Builder), had a median average of 2,072 closings in 2014 and a volume of $643,893,000

The top 20 “Gorillas” (Housing Giants per Professional Builder), had a median average of 5,212 closings in 2014 and a volume of $2,156,398,500

On the local level, within the top 50 housing markets in 2014, the market share of the top 10 builders averaged just shy of 2/3rds at 66.35% and in 19 of those markets they achieved a share of over 75%!!!

My crystal ball is not perfect and I truly hope my vision is wrong but I am seeing in the near future the possible demise of the small, local production homebuilders who, if they survive at all may well be forced into a permanent niche as an even smaller custom builder and remodeler.

According to data from NAHB and the U.S. Census Bureau, that “near future” may be upon us already. In 2007 the census reports there were 35,378 builders of new for-sale housing. By 2012 that number had decreased by 54% while NAHB’s membership numbers showed even steeper declines!

Instead of just rolling over and playing dead (one common defense to a gorilla), I believe that there still are substantial opportunities for smaller local homebuilders to prosper in every market if they will take the time and expend the energy and/or spend the money to (1) research their markets (2) and create an optimal strategy for
success. That strategy will identify the realistic opportunities in their market and then provide a step by step program for implementation.

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CRAFTING THE STRATEGY - UNDERSTANDING THE COMPETITION

What the big builders potentially have working in their favor:

- $$$ (Availability of capital to buy land & finance development - Especially larger deals);
- Economies of scale in production = lowest construction cost (not necessarily “lower”) + potentially lowest prices/highest values;
- Favorable treatment from subcontractors - priority work schedules;
- Library full of home plans with known costs and history of market performance (if not locally then in similar markets);
- Speed of start up (existing home plans, marketing elements);
- Market visibility and, potentially, reputation;
- Potential advantageous sales & marketing operation (web concierge, cost advantageous in-house sales team)
- Marketing efficiency & cost effectiveness (centralized advertising, master web site with SEO, volume discounts on major lead-generating portals)
- Ability to better weather adverse market conditions including limited/short-term capability to lower prices (take a loss) for one or more communities.

What the big builders potentially have working against them:

- Lethargy - resistance to change; they tend to repeat past locations, product types, price segments regardless of subsequent shifts in the market;
- Inability to rapidly respond to opportunities (corporate structure);
- Inability to rapidly create new housing products;
- Inability/unwillingness to take-on smaller jobs, sites, properties (philosophy, overhead structure)
- Inability/unwillingness to take-on non-typical developments (unique sites, unique product, etc.)
- Inability to market outside of their established comfort zone (cannot easily target specific market segments versus “scatter gun” marketing)
- Inability/unwillingness to customize housing product;
- Reputation/image may impose a perceived identity regarding price and value that is not in sync with the specifics of a new community;
- Inability/unwillingness to structure “special deals” (joint ventures) with land owners.
DEFINING THE OPPORTUNITIES

Rather than trying to compete directly and head-to-head with the “big boys” (building in the same location with basically the same housing products and at the same price points) and accepting what will, at best, be their leftover sales, it is important for the smaller homebuilder to identify and create one or more “niches” that minimize direct competition. Depending on the local market conditions and the actual strengths and abilities of the smaller builder, a few of the many opportunities would include:

• Providing at least limited customization to differentiate from the big builders and their necessary production style of operation -and- strongly marketing that customization (why accept someone else’s definition of your perfect new home?);

• Selecting sub-market geographic locations that generate smaller shares of the total marketplace – too small for the larger homebuilders to generate their necessary volume to support higher production and sales operations but appropriate for the smaller builders utilizing broker sales;

• Directly addressing the weakness of the big builders’ targeted market segment – if they have the “price” position going for the “quality” position (or vice versa);

• Filling in the holes the big homebuilders leave behind – if they build single family then by building townhomes; if they build “all brick” homes then creating attractive and appropriate alternate designs (or vice versa), if they concentrate on ranch homes then designing and building superior two story and split level homes; if they build subdivisions then creating community environments with visibly superior lifestyle differences and benefits;

• Partnering with other smaller volume builders and, possibly, the developer in a semi-custom or custom housing neighborhood – pricing above the large production builders and providing corresponding higher levels of finish but combining sales and marketing into a single, centralized, cohesive and cost-effective operation;

• Finding private investors and or trade partners to assist with land-banking if commercial lending options are not available or attractive;

• Pursuing “niche” opportunities such as urban in-fill housing operations – scattered site, smaller parcel size and small mixed-use buildings or developments or creative higher density products in prime, proven locations;
• Expanding a conventional remodeling/home improvement business to include purchase and remodeling/renovation/rehabilitation of older homes in prime locations (to include “extreme” remodeling opportunities such as gutting an existing home and adding a second floor or expansion or converting office or industrial buildings to residential);

• In all cases, even the smaller must provide a sufficient web presence including functional web site supported by social media and SEO (if you cannot do it independently then through the your local brokerage firm that is handling your sales), so that you can easily be found by the homebuying market during their search and thereby at least have a chance of making the sale.

Because the 800 pound gorillas tend to be lethargic and suffer from inertia, they cannot respond quickly to changing markets or competitive conditions so you probably have an 18 to 24 month “window” to grab your market share.

One of my clients, a local homebuilder in a mid-Atlantic market, was faced with having to compete with these “big boys” and asked me to assist in crafting the appropriate strategy. An examination of the marketplace and the competition suggested several potential opportunities and these are now being successfully implemented. In one operation located in the same community in which a “gorilla” was already established and in which this builder’s sales office is only one block away from the big boy, product refinement, target marketing and better sales strategies were the keys and he is now outselling this gorilla in this location by a margin of three to one.

The “big” builder has sent his entire management team into this builder’s model and sales office twice in the past few weeks to find out why they are losing sales. But the fact is that the local builder has at least a two year window of opportunity before the “big boy” can figure out what to do and implement the necessary changes, some of which cannot be accomplished without a major restructuring and refocusing of their operation which I do not see occurring.

And I am certain that this local homebuilder’s next community, now in final planning, will be even more successful as we have made certain that the community planning is superior, the housing products will target unserved market segments and offer unique features, and the builder has now crafted a world class sales team.

It has been my experience that as the intelligent smaller homebuilders pursue these strategies and their business and success grows, they become more visible in the marketplace and are afforded new opportunities by lenders and land owners that previously did not exist.
The reality is that business for the small and even mid-sized homebuilders will become ever more competitive and more challenging in the years to come and that to survive and prosper these builders will need to become more professional and make fundamental changes in their philosophies and operations. But that's just my opinion.
PROFESSIONAL PROFILE OF DANIEL R. LEVITAN

Mr. Levitan is acknowledged as one of the nation’s preeminent real estate development strategists specializing in the housing industry providing feasibility analysis, valuation determination, community positioning and optimization studies, marketing strategies and ongoing implementation assistance for properties throughout the United States, Canada and the Caribbean which have included well over 155,000 housing units in over 975 communities representing in excess of $55 Billion in sales. On request, he assists in supervising implementation of selected strategies for clients with hands-on involvement in community planning, product design, administration, marketing, merchandising, promotion and management supervision and training of the sales/leasing team. His personal involvement has encompassed the complete spectrum of real estate development and all facets of the homebuilding industry and he has a unique in-depth familiarity with a multitude of local markets around the country. He has also been actively involved with a wide variety of commercial, recreational, time-sharing, mixed-use and special use real estate developments including medical and recreational facilities.

In his thirty-plus years in the field of residential development and prior to forming his own company in 1995, he served until the retirement of the founder as Principal, Senior Vice President and Chief Strategist of The Greenman Group, the nation’s most respected national real estate consulting firm. Previously, he was the Vice President and National Sales and Marketing Director of a multi-state merchant builder and subsequently operated his own homebuilding company in a two-state area while also building and developing commercial properties. In addition to his extensive experience with residential development, he has been active in rehabilitation, renovation and conversion of both residential and commercial properties, was chief operating officer of a mortgage brokerage concern, and, on-request, serves as an expert witness and consultant in a number of diverse litigation and arbitration matters regarding real estate, homebuilding and residential development.

Levitan is a charter “MIRM” designee, served 3 terms as Trustee and served as President of the Institute of Residential Marketing. He also has served 4 terms as Trustee and served as Chairman of the National Sales and Marketing Council and 3 terms as Trustee of the National Council on Senior Housing.

He is a noted author, speaker, lecturer and trainer in the real estate development industry. Engagements have included programs for the Florida Bar Association, New Jersey Association of Realtors, National Association of Home Builders conventions and seminars, Multi-Housing World and Multi-Housing World West, Builder Magazine’s Builder 100 Conference, Florida Realtors Land Institute, Urban Land Institute, Southeast Builders Conference, East Coast Builders Conference, Caribbean Basin Real Estate Congress, numerous Home Builders Institute courses, and numerous programs for Crittenden, Northwest Center for Professional Education, the Institute for International Research, the Real Estate Lending Institute and many others, as well as appearing as the keynote speaker at the annual meetings and conferences of several of the country's leading residential builders and developers. He also is the author of the nationally respected blog on real estate and residential development - www.residentialmarketingblog.com.
PROFESSIONAL PROFILE OF DANIEL R. LEVITAN (continued)

He is a national instructor of IRM and CSP courses, author of the IRM course, “Increased Profits Through Effective Builder-Broker Cooperation” and co-author of “Marketing on a Shoestring Budget”. He also is a Certified Marketing Professional (“CMP”), charter designee and Certified New Home Sales Professional (“CSP”), charter designee; a Registered Apartment Manager (“RAM”), winner of the national Pillars of The Industry - RAM 2000 award and co-author of “How To Excel In Leasing Apartments”; a certified Commercial Property Builder (“CPB”), charter designee; a Senior Housing Marketing Specialist (“SHMS”), charter designee and Certified Active Adult Specialist in Housing (“CAASH”), charter designee.

Perhaps most indicative of the recognition of his expertise and professionalism is the fact that he is the recipient of the nation’s leading awards for residential marketing - the Florida Home Builders’ John P. Hall Award (in both 1997 and 2006), the Institute of Residential Marketing’s Trina Ripley Excellence in Education Award and its President’s Award and the National Association of Home Builders’ Bill Molster Award. In February, 2007 Mr. Levitan was inducted as the first “Fellow” of the College of Fellows of the Institute of Residential Marketing. In 2009 and 2010 Levitan was nominated as one of the “100 Most Influential Real Estate Leaders” and in 2010 was honored by NAHB as the first “MIRM of the Year”. In 2013 he was named a “Legend of Residential Marketing”.

PEOPLE ARE SAYING NICE THINGS ABOUT US

“Dan Levitan is one of the most respected professionals in the homebuilding industry. There isn't a marketing program, sales strategy, merchandising program or building design/redesign he hasn't seen or mastered. He is to marketing and sales what Davinci was to art and invention.” - Tom Vetter, Accelerated Marketing Partners;

“Dan Levitan is revered in the field of new home marketing by clients and peers alike.” - Mary DeWalt, Mary Dewalt Design Group

“I consider Dan Levitan to be a genuine hero in new home marketing and sales. I would recommend that any home builder or residential land developer pass the concept of any planned project by Dan Levitan before making a commitment to it. Better than anyone I know, Dan can say from his experience and analytical ability what will work and what will not. If not, Dan can tell you what needs to be done, while it can still be done, to give your project its best chance of success.” - Bill Webb, William N. Webb & Company, Inc.

“Dan Levitan is one of the pillars of the new homes sales and marketing industry. His vast experience means he has probably solved any problem you might be encountering in the residential marketing arena.” - Gian Hasbrock, Albermarle Plantation

“Dan Levitan is one of the most knowledgeable people in the field of new home sales and marketing. Our company relies on Dan’s expertise in strategizing new communities and creating and implementing successful tactical sales and marketing programs.” - Dorothy Tayloe, Daniel Homes

“Dan has always been on the cutting edge of the New Home Sales and Marketing field. His vast experience on the research side has made him a much sought after source of information and forecasting. Those who rely on his advice feel confident about their future success and long term results.” - Jack Gallagher, GMG Incorporated

“Dan is without question the most knowledgeable, and the most effective Marketing Consultant in North America today. He stands alone in his ability and sheer genius to identify, solve, and resolve challenges facing home building companies regardless of market conditions. As one mutual builder client shared with me, “I may not always like what I hear from Dan but one thing is consistent, he is always right.” His vision and perspective on the total marketing performance from land acquisition to close of sales is geared to profitability for his clients. Dan Levitan is simply the best.” - Bonnie Alfriend, Alfriend Sales & Marketing Solutions

“Having known Dan Levitan for more than 25 years I can honestly say that Dan is revered by all who have worked with him as one of the Greats, a Guru, and a Legend all rolled up into one person. Dan’s vast real estate experience and knowledge paired with his unique ability and vision to quickly identify and resolve housing industry challenges is uncanny” - Brenda Kunkel, Terrabrook

“Dan Levitan’s vast knowledge and experience in the world of new home sales & marketing and community development is renown. His pragmatic, bottom line approach is tempered by his sincere desire to help his clients succeed and profit in all market climates.” - Angela Amadore, Engauge

“Dan Levitan has been a consultant for our real estate projects for the past twelve years and, more than that, he has been a friend. Dan is the guy who really wants you to succeed, but who will look you in the eye and tell you, not what you want to hear, but what you need to hear. He’s been right every time we have asked him anything. So we’re going to keep asking Dan and listening to Dan. You just might want to do the same.” - Edward Ellis, Ellis Development
REPRESENTATIVE CLIENT ASSIGNMENTS

Acme Business Products, Savannah, GA; Agree Building Company, Flint, MI; All American Homes, Naples, FL; All Florida Properties, Plantation, FL; A.L. Rake and Son, Stroudsburg, and Upper Mount Bethel Township, PA; ALFA, Montgomery, AL; Amber Company, Flint, MI; American Somax, Lake Worth, FL; Andor Group, Smithson, NY; (Joseph) Aranow, Clifton Park, NY and State College, PA; Arland Community Development, Orlando and Sarasota, FL; Arlington Properties, Ironton, AL; Atlantic Gulf Communities, Green Acres, North Port, Port St. Lucie, Port Charlotte and Silver Springs Shores, FL; Bell Mortgage, Sanford, FL; Belmont Associates, Chesterfield, VA; Bissell Investment, Birmingham, AL; Bellemore Corporation, Daytona Beach Shores, FL; Blue-Green Corporation, Charlotte, NC and Dallas, TX; Blue Water Bay Properties, Niceville, FL; Bradshaw Associates, Mount Pleasant, TN; Brefrank, Inc., Wellington, FL; Bristol Development, Memphis, TN; C. C. Industries, Long, FL; C. J. Betterman, Incorporated, Lynden, WA; Century Development, Winter Park, FL; Citibank, Charlotte, NC, Colorado Springs, CO, Dallas, TX, Naples, Ponce Inlet and St. Augustine, FL; Classic Communities, Cumberland County, Hershey, Lancaster and Lebanon, PA; Community Realty, Bel Aire, MD; Continental Properties, Boca Raton, Boynton Beach, Coconut Creek, Hollywood and West Palm Beach, FL; WCI/Coral Ridge Communities, Coral Springs and Parkland, FL; Corea and Corea, Pismo Beach, CA; Cornwallis Development, Greensboro, NC; Cory Lake Isles, Tampa, FL; Crosswinds Communities, Lake Worth, FL; Currie Hall Investment, North Royanton, OH; Daniel Corporation, Acton, Fairhope, Leeds and Mountain Brook, AL; Davis Communities, Bonita Springs and Marco Beach, FL; Delmarva Properties, Seaford, DE and Chancellorsville, PA; Del Val Financial, Lady's Island, SC; Development Corporation, Inc., Bonita Springs and Naples, FL; Dickson Development, Princeton Junction, NJ; Dobson Builders, Midlothian and Newport News, VA; Domino Farms, Ann Arbor, MI; Eddleman Properties, Birmingham and Chelsea, AL; Elmore Development, Wilmington, NC; Ellis Development, Craven County and New Bern, NC; Engle Homes, Zephyrhills, FL; Equity Resources, Naples and Wellington, FL; Euro American Advisors, Birmingham, AL; Faber Homes, Rochester, NY; Fairfield Communities, Lake Worth and Melbourne, FL and Green Valley and Tucson, AZ; Fairfax Companies, Akron, OH; Farinella Construction, Morris County, Springfield, Washington and West Trenton, NJ; First Resources, Beckley, Clarksburg and Huntington, WV; Goldenberg Investments, North Parkersburg, WV; Greater Construction, Orlando, FL; Gyrodyn Company of America, St. James, NY; Halstead Contractors, Montgomery, AL; Harrison & Lear, Lancaster, VA; Hearthstone Advisors, Apollo Beach, Deltona, Margate, Miramar, Lake Worth, Pembroke Pines and Orlando, FL; Hearthstone Land, Trussville, AL; Hirsch Development, Penfield, NY; Holtzman & Silverman, Oakland Co., MI; IBEX Advisors, Homestead, FL; Independence Development, Dover, DE; Ingram & Associates, Birmingham, Homewood, Irondale, Pelham, Montgomery and Trussville, AL; Inkana Development, Birmingham, AL; Johnson City, Tennessee (The Municipality of); Kevin Scarborough, Inc., West Deptford, NJ; Kingsway Builders, Fenton and Linden, MI; Landmark Homes, Long Grove, IL; Leewood Development, Staten Island and Brooklyn, NY and Jersey City and Gloucester County, NJ; Lely Development, Naples, FL; Lennar Homes, Fort Myers, FL; Lipsey's, Inc., Baton Rouge, LA; Loma Linda Homes, Polk County, FL; Mansour Developments, Flint and Grand Blanc, MI; Martelli/Davidson Group, Wilmingtom, DE; MCL Development, Chicago and North Chicago, IL; McWilliams Construction, Indian Harbour Beach, FL; Mecca Farms, Inc., West Palm Beach, FL; Merrill Trust, Atlanta, GA; MHI/Plantations Home, Tampa, FL; Mobil Land, Hobe Sound and Lake Worth, FL; Morrison Homes, Roswell, GA, Lake Nona, Orlando and Sarasota, FL; Mt. Ebo Associates, Brewster, NY; Northeast Capital, Beckley, Cheat Lake, Parkersburg and Morgantown, WV; North Hills, Inc., Raleigh, NC; Oak Ridge Builders, Grand Blanc, MI; Ocean Isle Development, Ocean Isle, NC; Oriole Homes, Boynton Beach, FL; Palmer Square, Princeton, NJ; Park Central Properties, Orlando, FL; Park Group Companies, Clearwater, Oldsmar, Port St. Lucie and Tampa, FL; Penn Homes, Shreveport, LA, PineLoch Management, Lake and Orange Counties, FL; Pinnacle Realty Services, DeBary, FL; Porta Holding, Port St. Lucie, FL; Porto Realty and Development, Edinboro, PA; Potomac Investment, Charlotte, NC; Prestige Communities, Gainesville, FL; Pulte Homes, Chicago, IL; Purnell, Inc., Salisbury, MD; Pursell Investments, Talladega, AL; Regency Park, Cary, NC; Regis Development, Columbia County, GA; Rickel Development, Coral Springs, Pembroke Pines and Plantation, FL; Rivers Bend Development, Chesterfield County, VA; Retirement Systems of Alabama, Oppelika and Point Clear, AL, The Ryland Group, Columbia, MD; Santa Fe Properties, Santa Fe, NM; The Selective Group, Troy, MI; Security Land, Ocala, FL; Shick Development, Grand Blanc, MI; Shore West Construction, Cleveland and North Olmsted, OH; Shumaker Homes, Columbia and Lexington, SC; Southern Realty, Fairplay, SC; South Wales, Inc., Culpepper County, VA; Sportsacce, Inc/ Rifco, Inc., Miami, FL; Springland Associates, Princeton, NJ and The Hamptons, MA; Stephens, Inc., Maumelle, AK; Sun Bank, St. Johns County, FL; Sunrise Homes, New Orleans, St. Tammany, Tangipahoa and Baton Rouge, LA, Tampa Bay Resources, Fort Myers, FL; Tate Enterprises, Hialeah and Fort Pierce, FL; Thornton Construction, Pelham and Shelby County, AL; Toll Brothers, Parkland, FL; Twelve Oaks Development, Naples, FL; Union Valley Corporation, Middlebary County, NJ; U. S. Homes, Charlotte, NC, Nashville, TN, Plano, TX, Clearwater, Fort Meyers, Naples, Jacksonville and Tampa, FL; USS Real Estate, Helena, Hoover, Leeds and Trussville, AL; Van Kampen Merritt, Little Rock, AK, Dallas, TX and Sebring, FL; Weiner & Associates, Dover, DE; Westminster Swanson Land Partners, Bradenton, FL; Weyerhaeuser Real Estate, Phoenix, AZ and New Bern, NC; Wilson Holdings, Montgomery, AL; Woodward Associates, Indianapolis, IN; Wundham Homes, Carmel and North Salem, NY and Beacon Falls, CT; Yedinok Development, Princeton, NJ; Zaveco, Ltd., Coral Springs, Boca Raton and Tamarac, FL; 301 South Front Street Partnership, Memphis, TN
The “Levitan Strategic Marketing Audit”™

One of our more popular services, the “Levitan Strategic Marketing Audit”™, is an independent examination of your property’s, your development’s or your company’s total marketing environment, both internal and external, with a goal of creating a strategy to optimize performance and profitability. If your community, development or company is not performing to expectation, or you are examining a new market or opportunity, please consider the value of investing in your future success.