

INSIDERS OUTLOOK

New age for McMansion developers

BY JIM MORAN AND PAUL NEWMAN, CO-OP

The recent news that Pulte Homes has acquired Centex Corp. is a bright spot for the national residential mega-developer category that includes Toll Brothers and K. Hovnanian.

The two companies — Pulte and Centex — have successfully catered to different, but complementary segments of the market: Pulte to the homeowner considering trading up (what we call the “aspirational homeowner”) Centex to the first-time homebuyer (these days, what we call the “hesitant homebuyer”).

The issue the new company faces is this: designing and marketing homes for an audience of homebuyers who face unprecedented selection, tighter credit, uncertain job security and the market psychology that home prices could still sink further.

After facing these changes, Pulte-Centex needs to re-examine buyers needs from a rational and emotional perspective to help them connect with their product while navigating through this economic minefield.

The obvious: From a rational perspective, the new Pulte-Centex company needs to offer the right mix of product at the right price, since the same predictable “insta-communities” that define new suburban wealth no longer have the same appeal for today’s homebuyer.

From an emotional standpoint they need to stay in tune with the buyers’ shift in interest from indulgence (a dirty word in today’s marketplace) to home assurance and quality — today’s new emotional filters.

Offering homebuyers flexibility and modularity in design is also critical. Most homebuyers — even first-time homeowners — will be thinking about long-term ownership, since the expectation of flipping homes for a quick profit is muted.

Residences that Pulte-Centex designs need to accommodate significant growth and change (addition of a home office, extra room for another child, elements of sustainability) as well as quality and affordable design.

Most of the current homes sold by these kinds of developers are static — designed to blend seamlessly into the perfectly manicured neighborhoods that anchor them.

There’s little room for individuality let alone the design eccentricism that has made magazines like *Dwell* and companies like IKEA so popular with a generation of design-savvy, eco-conscious homeowners.

Why? People want to buy into a personality, a designer, and fashion as it connects them to a lifestyle that they want to emulate. There’s a reason why



so many successful national retailers now partner with celebrity designers to offer affordable design.

Pulte-Centex needs to consider pushing the boundaries of what a development community is, with greater emphasis on some-

times-disparate design for the individual homes.

The company needs to let go of the notion of “flawless” insta-communities where the homes’ exterior design carry a strong architectural theme, resulting in too many look-alike homes. Historic preservation and landmark issues aside,

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why can’t a large-scale developer build an eclectic but thematic community that appeals to multiple homebuyer profiles the way some of the coolest parts of San Francisco, Los Angeles and Sydney, Australia do? Character doesn’t have to be compromised for construction costs and value engineering. In fact, this level

overall business goals + product offering + the buyers needs. This is a long-term proposition and not an instant fix. To date, most mega-developers think executional marketing and not branding. Websites, collateral, direct mail, and advertising are all important, but if the upfront strategy is missing or lacking, I’d hate to

of development will separate Pulte-Centex (or other developers who take this approach) from the rest of the building community.

One of the biggest challenges facing the new company: building a brand that differentiates beyond what every other developer states. How many times have your gone to two developer websites and they say the same thing. If you switched the logos, would it matter?

The new Pulte-Centex needs to implement a brand strategy that integrates the



be sitting in the marketing director’s chair when the results don’t come in. Would you start your multi-million dollar development without a blueprint? So why would you begin to market and advertise without a brand plan?

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The stronger, no-end-in-sight market made developers and their advertising / marketing agencies jump on the sensationalism bandwagon. That “look at me” behavior created buzz but has quickly sunk with the rest of our property values. The new realities of this present market have now made those same developers and marketers rethink this approach.

Successfully connecting to a new home buying audience, and keeping them as loyal customers, will require a well-thought out brand strategy that lays the groundwork for fluid, tactical marketing.

As a corporate entity and brand, Pulte-Centex needs to create an authentic and lasting bond with the homebuyer to nurture the trust required to capture referral and return purchase.

The bidding wars are back

BY LAURA DENISE MILKOWSKI
VICE PRESIDENT, THE CORCORAN GROUP

Contrary to popular belief, there are transactions happening in today’s real estate market. Undeniably, the volume has decreased, but there is activity — contracts out, multiple bids and yes, even bidding wars.

The serious sellers who truly understand the market are pricing their property slightly below market and offering incentives to attract attention. Recently, when properties have had significant price reductions, buyers came out, found them and bid. Either are enough to stimulate buyer appeal!

Not only is price king these days, the buyers must have job confidence, and those properties must show better than their competition. Whether it be in a hot building or looking far better than it’s competition, the property must shine.

Recently, the strongest demand has been for condos under a million dollars that are in mint condition. Many of these buyers are from overseas where their currency is much stronger than the US dollar, looking for pied a terres, value and investment.

I find areas in the city where there are very few condos in this price range has driven the demand up, such as the Upper

West Side. I consider myself to be positive, but not Pollyanna and realize times have changed. Though I haven’t changed my belief that things will get better.

Just recently, I was working with a buyer who had a nice price negotiated for in a cond-op. My buyer had just signed the contract when I received a call from the co-broker stating they had another signed contract considerably higher price than ours — and it was never disclosed to me

Of course my buyer felt very deceived. Being in the business for over nine years, I am accustomed to getting communication from co-brokers that there is other interest and was shocked, especially in this environment. My buyer felt this was unethical, as he has spent significant time and funds to complete the due diligence.

After the dust cleared, we started looking at more properties. Ironically, we found an even better deal that just came on the market in a better location.

Since I felt it was priced right, we bid close to ask and were close to a deal when I received an email that — whoever agrees to X price first will get the apartment. There was another bid, and yet another on the way!

It was pretty exhausting, but we man-

aged to get this apartment into contract successfully. Guess who called me? The co-broker from the first property stating the buyer who bid much higher was very shaky and asked if we were still interested.

Of course, my buyer said no and was happy with another, better property.

Well priced attractive properties are moving and moving fast. You should prepare your clients so they can feel good about getting their deal.

Reputation in this business and trust is very important. Treat people the way you want to be treated and the smart, good agents will survive — and the transactions will continue.

