

perspectives

Defying the Odds

How Three Geographically Diverse Projects Are Selling Homes in the Slump



Sandra Kulli is president of Kulli Marketing, a Malibu, California-based marketing firm specializing in the homebuilding industry. Howard Kozloff is director of operations in the New York office of Hart Howerton, a multi-disciplinary planning and design firm. Here, Kulli and Kozloff present three real examples of new communities that are proving successful even in these trying times.



The housing market is undoubtedly in a slump nationwide. Despite this, there are a number of communities employing strategies that are bucking the slump and selling successfully in these down times.

Kennecott guarantees prices, helps buyers sell their homes

Be it the credit crunch, builders giving away perks as incentives, home prices falling, or foreclosures rising, buyers are, for the most part, on the sidelines. The overwhelming fear is of making a bad decision, mostly due to continual home price declines.

To combat this, Kennecott Land, a community developer based in Salt Lake City, has taken a psychological approach to making potential buyers feel as if the decision to buy now is a good one — they are offering buyers a variety of financial assistance programs as they continue into the second phase of their master-plan at Daybreak.

For starters, Kennecott is offering price protection, which entails refunding any price declines on a similar product should they occur between contract and closing. This both incentivizes the builder to offer the best possible pricing and gives the buyer a buffer should prices fall further.

Builders at Daybreak are also asked to set a financing benefit for buyers, either a percentage of the sales price or a flat amount. These flexible financing options, made possible by more flexible lenders, can be used to cover closing costs, rate buy downs, mortgage payments, or to reduce the effective purchase price. These then directly impact initial purchase price, making the benefit directly correlated with the pricing guarantees discussed above.

Finally, Kennecott has established a

seller assistance program to help their new homebuyer to sell their existing home. There are three components to the program.

Primarily, a third-party market analysis and appraisal (capped at \$300) of the buyer's home is conducted and a recommended sales price results. Secondly, the builder provides up to \$400 for a handyman service to bring the home into sellable condition. Finally, up to \$300 is allowed for a home staging service to provide a professional presentation. Taken in isolation, this is not a huge amount, but in terms of putting buyers at ease, it provides a compelling case.

According to Kennecott, by offering these three items, most buyer concerns about marketing conditions and making a good investment will be addressed. Additionally, assistance in selling the home will mitigate cancelled contracts due to contingency or inability to fund without prior home equity.

"We want consumers to feel confident about purchasing a home right now," said Jennifer Hurst, marketing director for Kennecott Land. "This program is brand-aligned and contributes to the overall value of the community."

Customized sales approach wins at Brookfield's Vantage

Developer Brookfield Homes Southland, not immune to the market downturn, nonetheless has a number of successes currently in the marketplace. Among those is Vantage, a gated neighborhood of 70 small-lot, single-family detached homes and 110 townhomes in Diamond Bar, located about 25 miles east of downtown Los Angeles and known for strong schools and an ever-burgeoning Asian population.

The grand opening of the model

[photo courtesy of Brookfield Southland]



The townhomes at Brookfield Southland's Vantage community in Diamond Bar sold out quickly, thanks to a customized sales approach that trained the sales team to work with the Asian-dominated buyer pool.

townhomes occurred at “a miserable time in the market,” according to Carina Hathaway, vice president of sales and marketing at Brookfield Southland. Despite the timing, Vantage achieved a home run success in part due to a focus on marketing fundamentals.

For example, although Vantage is located in a relatively safe area, the decision was made to create a gated neighborhood to offer added prestige to offset small lot sizes.

Due to the overwhelming Asian majority in the area and, thus, in the buyer pool, the sales approach had to be customized. As such, the sales, design studio, and mortgage team were all trained to understand the Asian culture. The sales team reached their goal of providing a trusted resource and outstanding experience that garnered high praise in Eliant scores and referral word-of-mouth.

The result was the complete sell out of all 110 units in under a year at prices that appear to be holding their value (\$515,000 to \$815,000). Sales velocity from the point of preview was about 1.7 per week, increasing to more than 2 units per week once the models opened.

Following Brookfield's success at Vantage, Adrian Foley, president of Brookfield Southland, notes that the current market situation is a prime time to refine new ideas for home designs to “get a feel for what our market will want when it has gained a little strength.”

Thoughtful planning attracts buyers at Palmetto Bluff

The goal for the designers of Palmetto Bluff, a new community in South Carolina's coastal country, was to create

a community of 3,500 homes arranged in a series of villages and neighborhoods that reflected the regional town planning heritage and respected the sensitive environment. The project is set on a 1,800-acre barrier island containing extensive wetlands, sensitive habitats, and 32 miles of maritime forests.

From this environmental and historical context emerged three guiding principles: the natural landscape character must be preserved, the “special places” on the property should be part of the public realm, and the historic and cultural contexts must be respected at all scales.

A key part of the project's vision was to preserve the sensitive shoreline by creating a series of bounded and dense neighborhoods. This is a departure from conventional wisdom, which dictates that the most lots with the best view is the rule for success and therefore the shoreline should be lined with lots to generate the greatest financial return.

Initial buyer responses indicated that the project would be highly successful. The end result includes:

- A variety of housing types;
- Shopping, dining, and retail opportunities arranged in a village setting;
- An integrated recreation system incorporating multiple recreation levels. This includes a protected shoreline preserved as a *community* feature;

- Design that emphasizes building massing, details, orientation to the street, and public spaces.

This project demonstrates how broad concepts generated on the larger scale can be refined on smaller scales and successfully carried through construction. With one design firm responsible for the entire project, continuity from the original vision and master planning through site design and project implementation was achieved.

Today, neighborhoods in the Village, some a half-mile from the shoreline, are highly desired. Buyers have indicated that access to the shore and the water is important, but that a sense of neighborhood, connection with the place, and connection with a community is of equal if not greater importance.

Downturns will not last forever, but they do certainly take some time to play out. During those times, developers can not only stem losses, but they can achieve profitability by focusing on design on both the large and small scale, addressing specific consumer fears, and adhering to marketing fundamentals. The bad times don't have to be so bad, if at all.

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