

BUILDING COMMUNITY LIKES WHAT IT SEES FOR 2018

Builders and architects still expect more upside in the economic cycle

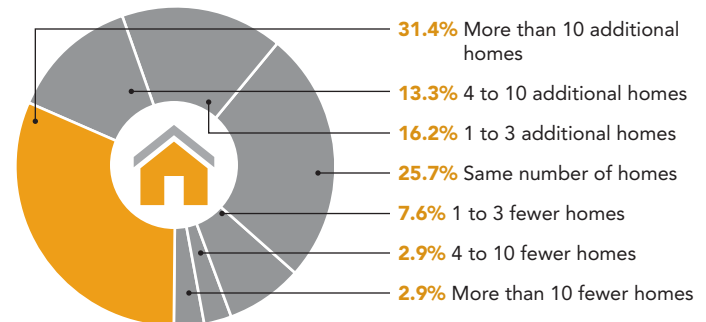
By Mike Beirne

Confidence that the economic cycle for home building is still on the upswing remains steady as half of builders and architects in *Professional Builder's* 2018 Market Forecast expect to sell/design more houses next year. Just 13.9 percent project completing fewer projects in 2018. More than 85 percent rated 2017 as either good, very good, or an excellent business year for their company. Those findings track with a separate midyear survey that industry consultant Builder Partnerships (BP) distributed to 336 home builders asking if their actual closings numbers thus far had changed from what they forecast at the beginning of the year. More than 43 percent—almost all of them projecting to close more houses than in 2017—said there was no difference between their estimated and actual pace; 10.4 percent reported actual closings exceeded expectations by 5 percent or less, and 20 percent saw midyear closings increase by more than 5 percent from their original estimates.

Entry-level homes ranked among the top market opportunities for 2018, although building for first-time buyers trailed far behind custom and production move-up clients. Move-up homes, which have been the primary engine for the industry's recovery, were cited as a growth opportunity by most respondents, followed by smaller houses. In the BP survey, just 7.4 percent of members said they were building smaller this year; 17.8 percent were constructing larger houses, and 67.5 percent said that their average square footage was the same as the previous year. See the charts that follow for more survey results about expectations for 2018.

METHODOLOGY AND RESPONDENT INFORMATION: This survey was distributed between Oct. 12, 2017, and Nov. 8, 2017, to a random sample of *Professional Builder's* print and digital readers and to members of Builder Partnerships. No incentive was offered. By closing date, a total of 111 eligible readers had returned surveys. Respondent breakdown by discipline: 27.8% custom home builder; 27.8% production builder for move-up/move-down buyer; 10.2% diversified builder/remodeler; 8.3% architect/designer engaged in home building; 5.5% production builder for first-time buyer; 4.6% luxury production builder; 4.6% multifamily builder; 1.9% manufactured, modular, log home, or systems builder, and 9.3% other. Approximately 30.2% expect to sell one to five homes in 2017, and 12.5% project selling more than 100 units.

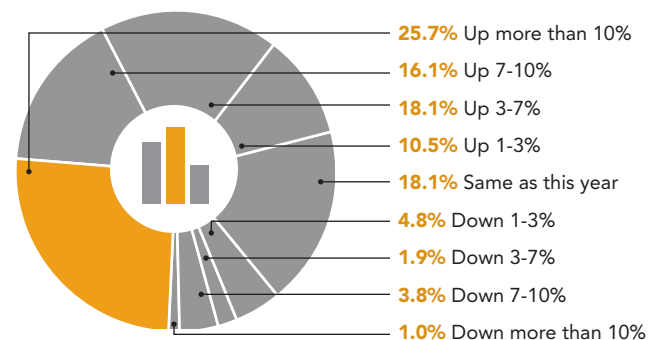
BASED ON YOUR 2017 OUTPUT, HOW MANY MORE/FEWER HOMES ARE YOU FORECASTING TO SELL/DESIGN IN 2018?



BASE: 105; PROFESSIONAL BUILDER 2018 MARKET FORECAST SURVEY

For the fifth consecutive year, the majority of builders and architects expect to sell/design more projects next year compared with the current year. Builders of production houses for move-up/move-down buyers, luxury production homes, and multifamily builders are the largest groups anticipating their workload will grow by more than 10 units in 2018. By region, builders in California, Oregon, and Washington, followed by the Mid-South region (Ala., Ky., Miss., and Tenn.), were the most optimistic about their 2018 prospects.

WHAT IS YOUR REVENUE FORECAST FOR 2018?

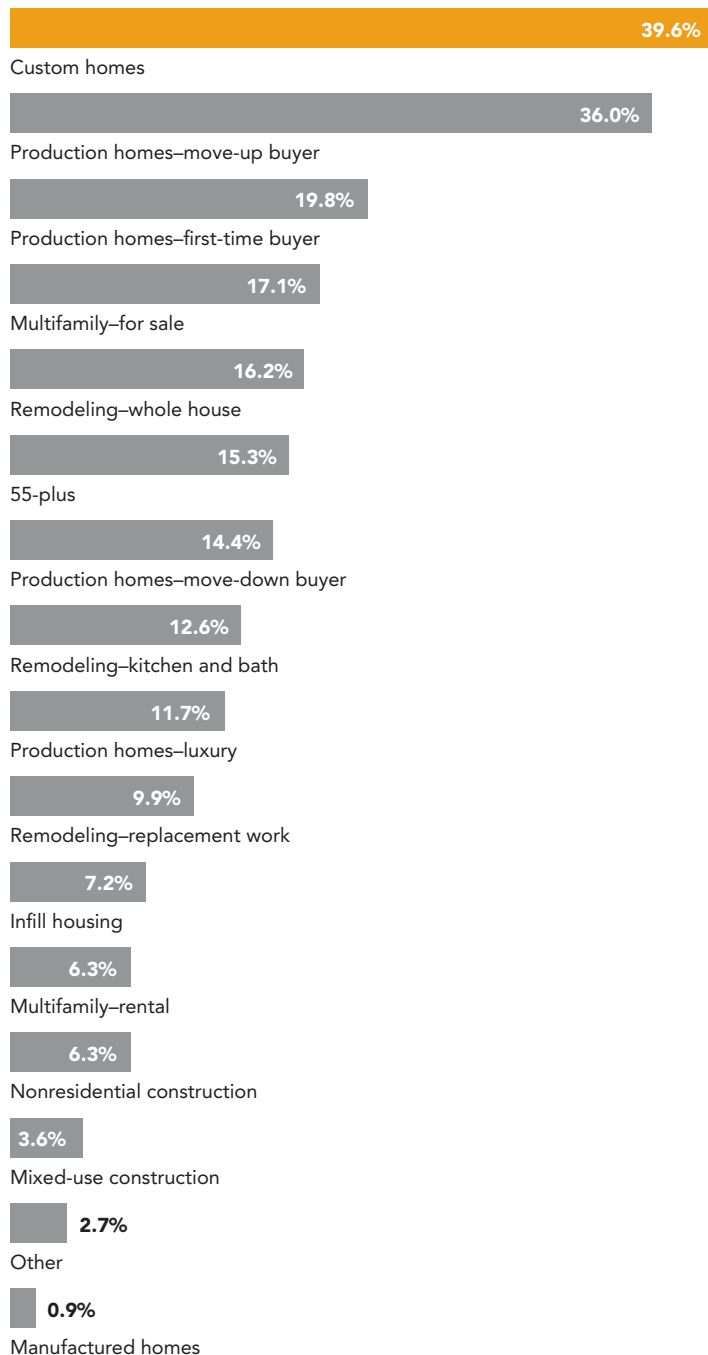


BASE: 105; PROFESSIONAL BUILDER 2018 MARKET FORECAST SURVEY

Production builders for move-up/move-down and luxury home buyers were the largest builder segments also projecting next year's revenue to exceed 10 percent. Builders for first-time buyers composed less than 6 percent of survey respondents, and the majority of those builders expect that revenue from selling to that clientele will increase next year.

[EXCLUSIVE RESEARCH]

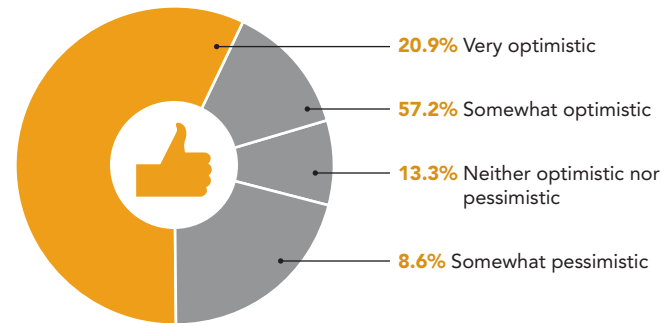
WHICH TYPE OF HOME BUILDING ACTIVITY WILL BE STRONGEST FOR YOUR FIRM IN 2018?



BASE: 111; PROFESSIONAL BUILDER 2018 MARKET FORECAST SURVEY

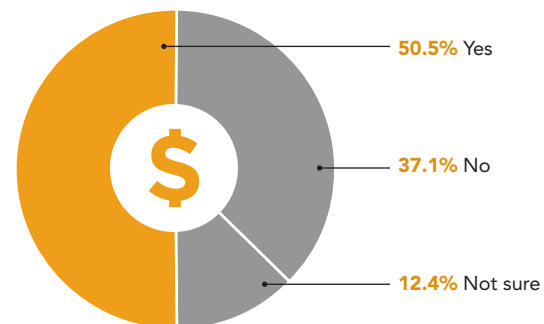
New-construction activities ranked in the top four spots compared with surveys taken early during the economic recovery, when remodeling work would have occupied those slots. New multifamily construction also cracked the top four in this survey for the first time since at least 2013.

WHAT IS YOUR GENERAL SENTIMENT FOR THE HOME BUILDING INDUSTRY IN YOUR LOCAL MARKET(S) HEADING INTO 2018?



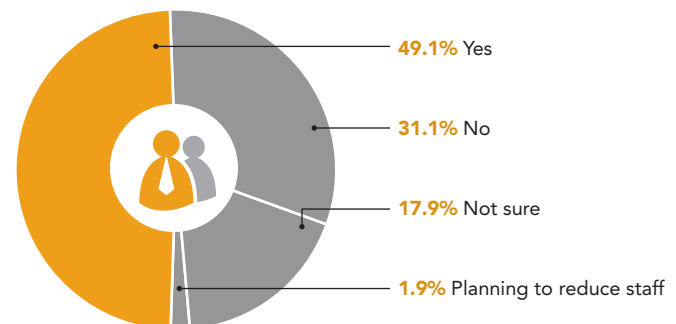
BASE: 105; PROFESSIONAL BUILDER 2018 MARKET FORECAST SURVEY

ARE YOU PLANNING TO PURCHASE LAND IN 2018?



BASE: 105; PROFESSIONAL BUILDER 2018 MARKET FORECAST SURVEY

ARE YOU PLANNING TO HIRE ADDITIONAL STAFF IN 2018?



BASE: 106; PROFESSIONAL BUILDER 2018 MARKET FORECAST SURVEY

With favorable demographics behind the supply-and-demand fundamentals for housing, most survey respondents have positive expectations for 2018. Almost half of custom home builders and more than 80 percent of production builders indicated they plan on buying land next year. Respondents were split between those that intend to enlarge their staff and those that have no plans or aren't sure about hiring in 2018.

[EXCLUSIVE RESEARCH]

WHAT ARE YOUR TOP OPPORTUNITIES HEADING INTO 2018 FROM A BUSINESS GROWTH PERSPECTIVE?



BASE: 111; PROFESSIONAL BUILDER 2018 MARKET FORECAST SURVEY

The rising cost of land, labor, and a preference from move-down buyers for less house, as well as entry-level customers' need for affordability, are plausible factors that pushed smaller homes to the No. 2 spot.

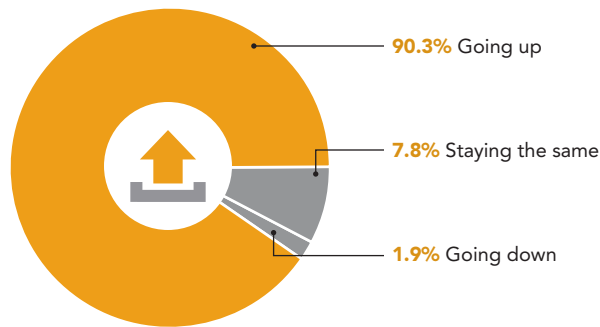
WHAT ARE THE TOP CHALLENGES YOU EXPECT TO FACE IN 2018?



BASE: 105; PROFESSIONAL BUILDER 2018 MARKET FORECAST SURVEY

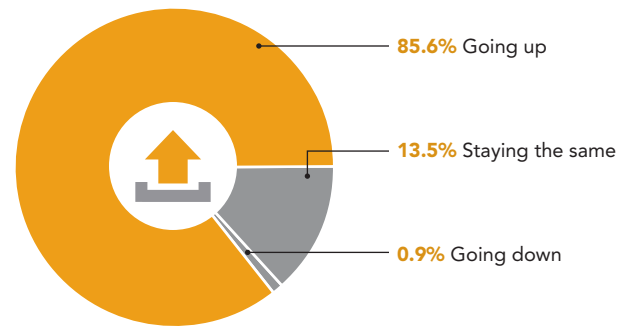
“Overall economy” has ranked fourth of the top challenges in this survey for the past five years. Though unemployment is relatively low, the average growth in wages and salaries continues to stagnate. A Georgia architect wrote that finding motivated and qualified buyers is a top challenge: “Everyone, except those with cash, is very insecure with their job and longevity. No security in the job market, therefore, no security for homebuyers or for lenders.”

IN 2018, DO YOU ANTICIPATE MATERIAL PRICES GOING UP, DOWN, OR STAYING THE SAME?



BASE: 103; PROFESSIONAL BUILDER 2018 MARKET FORECAST SURVEY

IN 2018, DO YOU ANTICIPATE BID PRICES GOING UP, DOWN, OR STAYING THE SAME?



BASE: 105; PROFESSIONAL BUILDER 2018 MARKET FORECAST SURVEY

The majority of survey respondents expect the cost of materials and labor to increase, yet are generally optimistic about their prospects for 2018.