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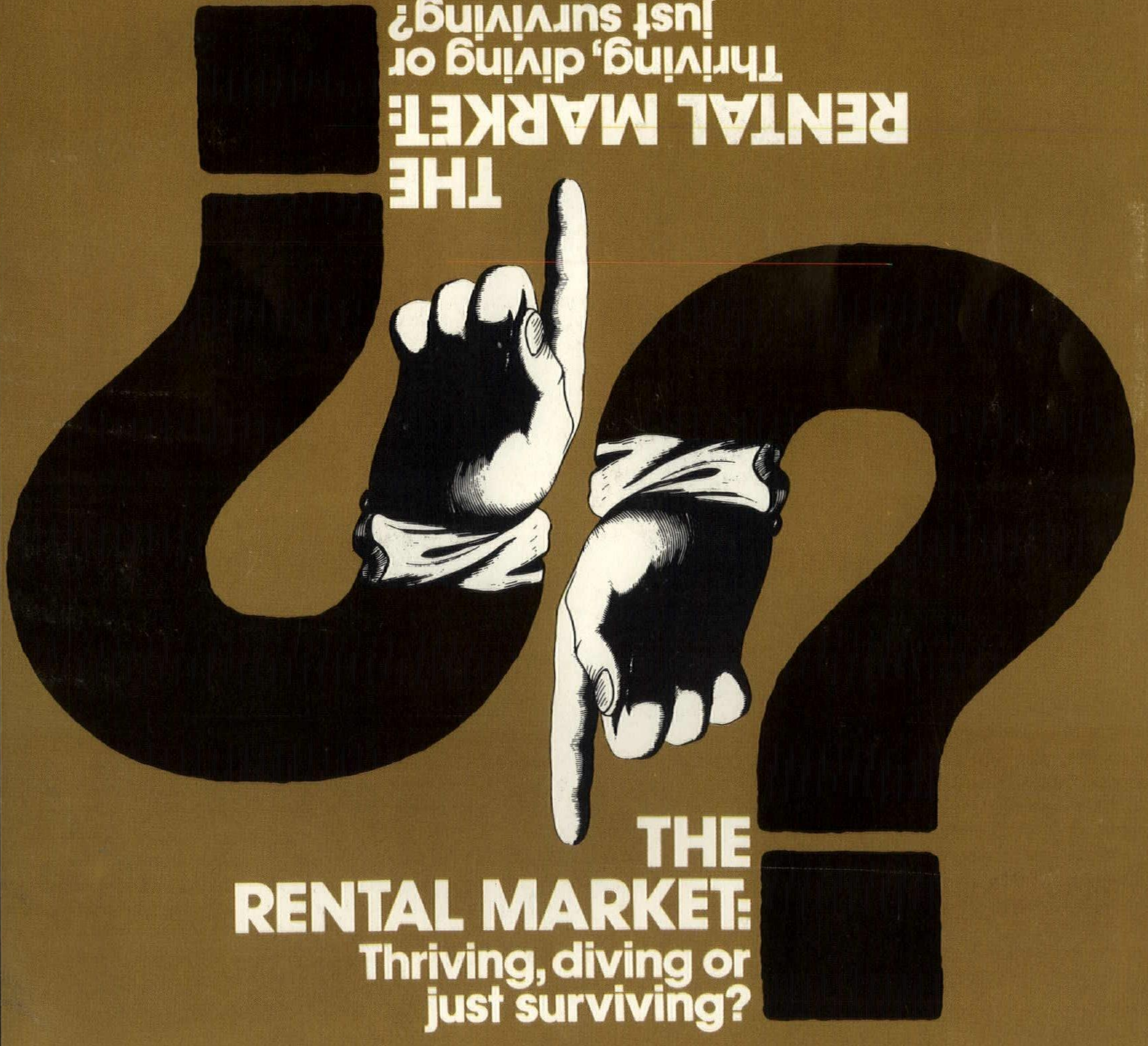
April 1974



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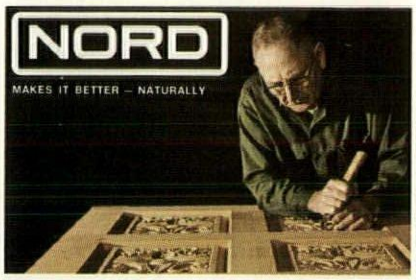

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Volume 45 Number 4/April 1974

FEATURES

NEWS

DEPARTMENTS

Cover/Design by Faye Eng

← CIRCLE 2 ON READER SERVICE CARD

President moves to compromise; a housing bill may become law this year

By mid-March the Senate had passed a whopping omnibus housing bill—a step on the road to getting housing and community development legislation enacted this year.

But an even bigger breakthrough was the active lobbying and negotiating by Housing Secretary James T. Lynn to work out a compromise bill with the housing subcommittee of the House. Lynn's move ended an impasse that culminated with the Nixon Administration's freezing of most of the HUD programs in January 1973.

"Lynn has personally lobbied every member of the committee," says one housing industry lobbyist. "He's trying his damnedest to get the House to go along with the Administration."

(For comparison of President's and Senate's bills, see page 8.)

Tentative accord. Rep. William S. Moorhead (D., Pa.), an influential member of the housing subcommittee, told a group of mayors that Lynn and committee members "have locked horns and reached tentative agreement on issues which some weeks ago I would have considered unreconcilable."

Major differences remained, and there is no certainty that the 1974 housing legislation won't collapse in the same kind of debacle that occurred at the end of 1972. Then, the House Rules Committee decided that the House Banking Committee's omnibus bill was too poorly considered to be taken to the floor [NEWS, Nov. '72].

Moorhead admitted that "anything could occur from passage of a full-blown housing bill to a Presidential veto of the same, a veto neither house could override."

Subsidy roadblock. Lynn spent several days with the Senate Banking Committee while it was making the final decisions on S 3066, which it reported out Feb. 27. While Lynn and HUD's general counsel, James L. Mitchell, "were very conciliatory," according to a committee source, "the problems didn't get reduced, but got magnified."

The result was a bill that—particularly insofar as its subsidized housing provisions are concerned—would be a prime candidate for the President's veto. The bill continues the FHA Section 235 and 236 programs with some fairly significant changes—including the provision of an operating subsidy, similar to that given low-rent public housing, to meet "bona fide rising operating costs." But a HUD official said pointedly:

"We would not want to run programs like that. HUD wants a simple program that pays the difference between market rent and what a family can afford. Period. End program."

Lease program. The Administration, in its own bill, is sticking by its revised Section 23 leasing program as its vehicle for subsidizing families whose income is too low to afford market rents. It would change the old Section 23 program, under which local housing authorities leased entire apartment projects for 10 to 20 years and took responsibility for management. The incentive to landlords was the guaranteed flow of rents.

The new Section 23 program would have the tenant lease from a private landlord, not the housing authority, with HUD paying the difference between market rent and what the family could afford to pay. The landlord—with some exceptions—would be responsible for management and maintenance. He would have no guarantee of rent if apartments were unoccupied. And HUD's policy would be to give priority to landlords whose apartments had 20% or less of their units leased to subsidized families.

A HUD official explains that HUD wants a program that assigns some risk to the lender, builder and landlord—"enough risk for our purpose, but not such an inordinate risk that nothing would be built." This official says that some builders will move into the program "if it's the only program around and they don't have any choice."

Barrett-Ashley bill. At mid-March Moorhead said the House housing subcommittee had tentatively "retreated from its insistence on housing block grants to parallel the community development section," as originally proposed in the bill sponsored by the subcommittee chairman, William A. Barrett (D., Pa.), and by Rep. Thomas L. Ashley (D., Ohio).

Agreement. One critical issue has already moved toward a deal. The subcommittee "has embraced the suggestion of the Administration" to simplify the application process, with little if any detail on spending plans to be required in the first application, according to Moorhead. However, the recipient locality would be subject to a vigorous post-performance audit, "and the Secretary would be expected to hold back second and third year funds," says Moorhead, if the mayors spend in ways that don't meet program objectives.

At HUD, an official agreed that the Democrats' application review requirement "has some good points in it." But HUD wants what he called "the higher degree of fairness" the Administration finds in the needs formula for parceling out funds in its Better Communities Act.

Hostage bill. Moorhead spells out the quid pro quo of housing legislation this way:

"The Administration very much wants a community development bill. By holding that hostage for a quality housing component, I think we can get a bill out of committee that both sides can agree upon."

Left out of the public discussions thus far is another crucial question: Will Chairman Wright Patman of the parent banking committee help or hinder?

Last time around Patman's attempt to have the full committee rewrite the subcommittee's bill was a major factor in the decision to keep it from the House floor.

No one is saying it can't happen again.

—DON LOOMIS
McGraw-Hill World News,
Washington

KEN FEIL

Reflective mood marked Hyde's interview with H&H after he took office in 1969.

Hyde hies off in a bit of a huff

Floyd Hyde, last of the Romney team that came to HUD with President Nixon's first administration, has resigned from his number two post at the department and has charged that government, and most specifically the national government, has failed to tackle urban problems.

Despite his last-minute gibe at the Administration—which included a favorable mention of ex-Secretary George Romney—Hyde was awarded an exit interview with the President, and there were kind words from the White House staff.

Legislative role. Hyde opposed the freeze on housing programs imposed in January 1973, but he continued to work inside HUD to get it lifted. His tour as director of the model cities program under Romney and as undersecretary under James Lynn was largely an exercise in frustration.

However, he is given credit for helping to open negotiations between Lynn and the two housing committees—and for brokering some of the compromise agreements that were reached with the House housing subcommittee *(see story above)*.

Consultant's post. Hyde, as a private consultant in Washington, expects to spend much of his time—with Lynn's blessing—as a broker between the Administration and the housing subcommittees on the housing and community development bill.

Hyde has joined the management consulting firm of McManis Associates as vice president for urban affairs. He will take over the firm's new San Francisco office this year.

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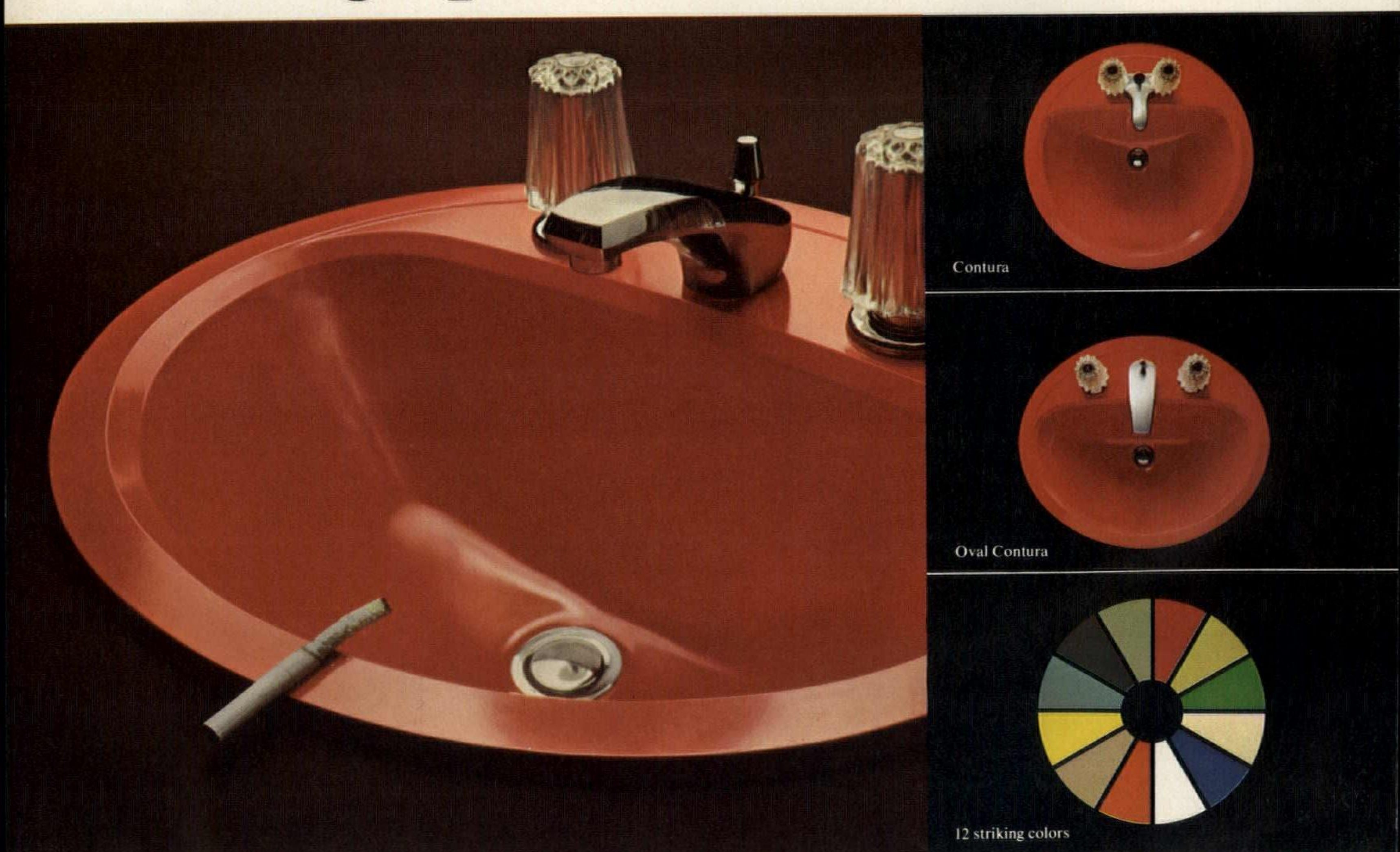

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CIRCLE 7 ON READER SERVICE CARD

How President Nixon and the Senate differ on new housing legislation

	The President's bills (S1743, S2490, S2507)	The Senate's bill (S3066)
Cities	**Better Communities Act** (S1743) would establish a special revenue-sharing program to replace 10 categorical grant programs. At the outset $2.3 billion would be passed out to cities and metropolitan counties on a formula that includes a "hold harmless" provision for localities that might otherwise get less than they have been getting. No applications required. Review would come after funds are spent.	**Community Development Assistance Act** would establish a block-grant program that would absorb 10 categorical grant programs. This would require localities to submit to HUD a four-year anti-blight plan and applications for projects involved. No needs-formula involved. First-year funding would be $2.8 billion. Of this, $1.8 billion would go for existing grant recipients on a "hold harmless" basis and $1 billion would be parceled by HUD to old and new applicants, including urban counties.
Subsidy housing	Revised and expanded FHA Section 23 leased-housing program would replace present subsidized housing programs. Lease would be between low-income tenant and landlord. HUD would pay subsidy to landlord but would not guarantee payment for empty apartments. Landlord would be responsible for management and maintenance. Priority would be given to landlords renting 20% or less of their units to subsidized tenants. New construction would have to comply with the FHA's minimum property standards, although projects wouldn't be eligible for FHA insurance. New assistance to public housing would end Dec. 31, 1975. Thrust is to make program as close an approximation of housing allowances as possible.	Would revive frozen FHA Section 235 and 236 programs with same mortgage-interest subsidy, but adding a new provision for subsidies for "bona fide rising operating costs." Would include leasing program but assign primary responsibility—including responsibility for authorizing new construction—to local public housing agencies. Subsidy funds would be used to meet housing objectives spelled out in plans submitted for community development block-grant funds.
Housing allowances	Demonstration-test projects, already under way in ten cities, would run another three years before decision for or against nationwide plan is made, HUD officials say. HUD program will spend $17 million in fiscal 1975.	Would authorize HUD to continue experiments with cash-assistance payments up to $43 million a year for 10 years.
Mortgaging	Would consolidate insurance programs. Would provide special program for older neighborhoods; raise dollar amounts for unsubsidized mortgages; authorize FHA co-insurance—that is, insurance of less than 100% of mortgage amount; authorize experimental use of variable interest rates and variable amortization schedules; allow interest rates to be set by marketplace; authorize secretary to set loan-to-value ratios based on appraised value and minimum down payments.	Would consolidate programs. Would provide prototype formula for determining maximum amounts on home and multifamily mortgages—but at the same time specify maximum insurance of 97% of first $25,000, 90% of amount between $25,000 and $35,000, 80% of amount between $35,000 and $45,000, and 70% of amount over $45,000; authorize interest rates at market levels; require insured properties to use energy conservation techniques; require HUD correction of defects in homes insured by FHA; authorize FHA co-insurance up to 10% of total units insured annually.
Planning grants	**Responsive Governments Act** (S2490) would pass out planning grants of $110 million in fiscal 1975 to all eligible recipients directly or through states. There would be no specific requirements for the use of funds except that they be for planning and management activities. Before receiving grant, recipient would have to state activities to be funded; no matching funds required.	**Comprehensive Planning Program** would authorize $260 million for fiscal '75 and '76, with local share reduced to 20% of cost instead of present 33⅓%. Planning would have to cover housing, employment, education and health. Secretary would make grants to states, areawide agencies and to cities after receiving applications; would restrict use of funds for management activities. Annual report to HUD required, plus bi-annual evaluation report. Recipients would pay 20% of cost of work. Areawide agencies would get 30% of first $125 million.
Mobile homes	No proposal.	Would establish federal standards superseding state law on safety, quality and durability characteristics. Mobile home "plan" must be submitted to secretary for approval before sales begin. Manufacturer must notify purchaser of defects under required one-year warranty, and could be required to repurchase unit.
Co-op housing	No proposal.	Would create new federal agency with authority to borrow $50 million from Treasury and issue $1 billion in government-guaranteed bonds to finance co-op housing projects.
Miscellaneous	No miscellaneous proposals.	Would direct a study of feasibility of direct federal loans for subsidized multifamily housing; would authorize $100 million of direct loans for housing for elderly; would authorize $20 million in grants for demonstration program to disperse low-income families to existing housing near sources of employment; would authorize $5 million for demonstrations of use of solar heating for housing; would authorize $150 million rehab program for loans up to $8,000 per unit and up to maximum of $50,000 for 20 years at 3% interest.


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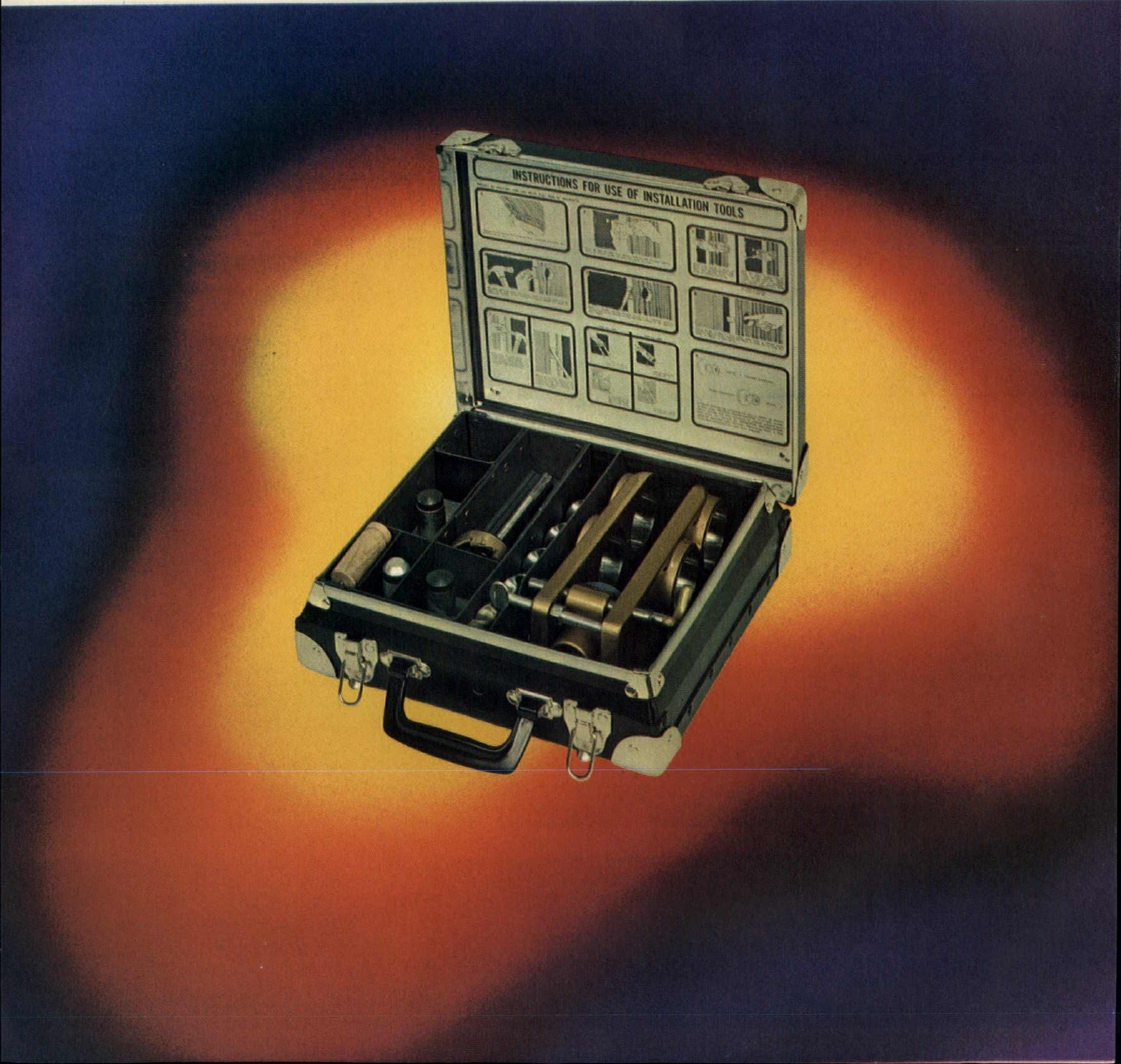
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HUD tries to peddle foreclosed houses at $1 each—Business, in a word, is slow

After witnessing more than four years of misguided federal government effort to rescue dying city neighborhoods, a few local governments have initiated self-help programs called urban homesteading.

Officials of Wilmington, Del. last year began selling for $1 houses acquired by property tax foreclosure provided the buyer would agree to rehabilitate the vacant home and take up residence for at least three years. Baltimore, Md. has launched a similar program with the added allure of city-financed rehabilitation loans. And Philadelphia will implement its own version of urban homesteading next month.

Inventory: 202,811. Eager to share the responsibility of halting urban decay, the federal Department of Housing and Urban Development last month offered 4,000 of its repossessed houses to 24 cities, inviting them to set up urban homesteading programs. Selling homes to cities for the token fee of $1 each means an estimated $84 million HUD paper loss, but the agency expects to gain in the long run.

"Anything the localities can do to stimulate new investment in these areas is a step in the right direction," remarks HUD's assistant secretary for housing management, H.R. Crawford. "It can help to stabilize a neighborhood, which in turn will do a good deal to alleviate social problems. Hopefully, it will also reduce foreclosures in HUD's portfolio of insured properties."

The agency had 202,811 repossessed units on its hands in June, 1973, and it estimates that the inventory will increase 50% by June 1975. Since it was only getting in deeper through its own devices, HUD welcomed the city programs that might someday turn the tide.

Obstacles. Someday is a long way off, however. Urban homesteading is off to a slow, shaky start. And the ultimate impact of programs already under way is at best unclear.

Wilmington, which offered 40 homesteading houses to citizens last August in the first program of its kind, now has two buyers living in homes purchased from the city and only 15 other buyers preparing to move in.

Bargain at $1—or liability? Rehab cost estimate on this Detroit house was $20,000.

This belies initial demand for urban homestead property which was so overwhelming that Wilmington officials were compelled to raffle off the homes. But many lucky recipients of $1 houses turned them back to the city after discovering that rehabilitation money was nearly impossible to get. Those who stuck with the program either had savings to use to pay repair contractors, building skills with which to do the work themselves, or sufficiently good credit to get high interest personal loans for repairs.

Title snarl. Banks would not offer mortgages to homesteaders because the city of Wilmington retained title to the property for a three-year period that was intended to discourage speculators.

The Wilmington city council now proposes to amend its homesteading requirements, giving first property lien to banks during the three-year minimum occupancy term. Even so, local banks indicate that high interest loans will continue to be the price of homesteading there.

Learning from Wilmington, Baltimore launched a $2 million bond issue along with its homesteading plan. The funds will be used to make construction loans at 6% interest.

The Massachusetts legislature is considering a bill which would set up a state agency to grant low-interest rehabilitation loans to urban homesteaders. And Newark, N.J. plans to take care of major mechanical repairs on city-owned housing before selling them to urban homesteaders for under $10,000.

Detroit's skepticism. Despite all this East Coast commitment to city-operated public housing programs, large communities further west display caution.

Detroit has received an offer of 2,000 of the 4,000 homestead houses, but the city council president, Carl Levin, interprets the federal invitation as an attempt to pass the buck.

"Now HUD has turned its back on the devastation left in the wake of the wholesale repossession of Detroit-area homes resulting from the corruption and maladministration of the past four years," he charges.

Mayor Coleman Young indicates, none the less, that he will consider HUD's offer. The decision may take time, however. The mayor's director of community development, Ronald J. Hewitt, says HUD will not provide specific details such as "what kind of homes we're going to get on what basis."

Rehab costs. The federal agency's inventory of nearly 75,000 vacant homes in Detroit ranges from rickety old bungalows to sound, well-designed buildings. Typical of the best, a brick house at 1775 Muirland Avenue looks inviting from the outside. But contractors put the rehabilitation cost in the neighborhood of $20,000 (*see photo*).

Buckled floors, frozen plumbing, stripped plaster and leaking roof call for major overhaul. The antique hot-water heating system unquestionably demands replacement.

With repair bills of this sort, HUD homes are not ideal candidates for low-income homesteaders. And it will certainly take something more than low-interest loans to lure the average middle-income family from its secure suburban townhouse into the city's high-crime area.

Security forces? Some city officials suggest a private security force is the answer as homesteaders perform rehabilitation work and move into city homes. Or an army of homesteaders filling up an entire block could be cooperatively vigilant.

The questions are hard and the answers are slow. As a Detroit newspaper editorial evaluates the HUD homestead offer:

"The city is going to have to be very careful where it goes from here, lest one tragic affair be succeeded by another."

—ROGER GUILES
McGraw-Hill News, Detroit

S&Ls to make flexible-pay mortgages

The Federal Home Loan Bank Board has given federal savings and loan associations permission to grant flexible-payment mortgages on which a homeowner can make lower payments in the early years.

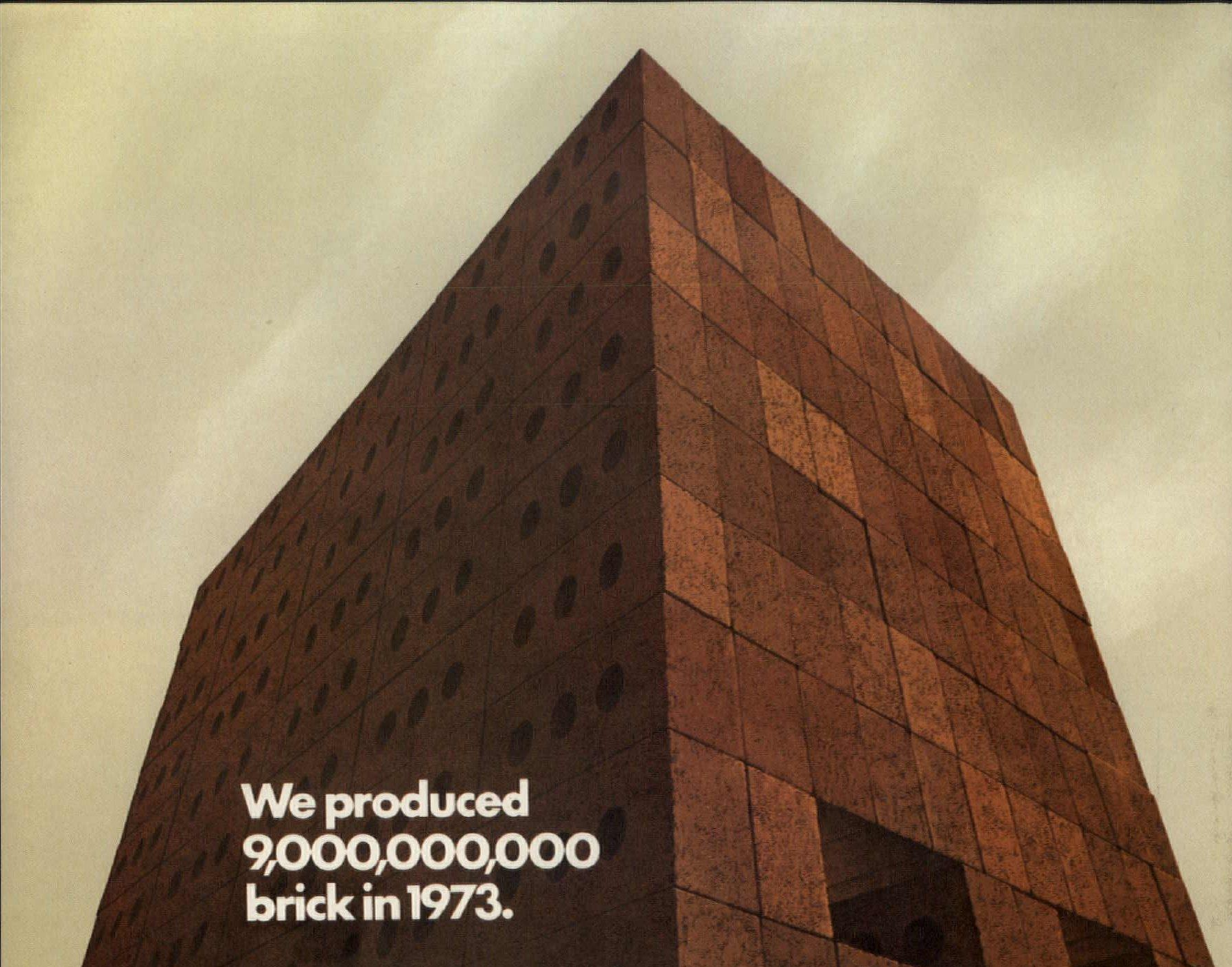
The plan is approved for mortgages with loan-to-value ratios up to 95%, so it should win some popularity with young families. It can be offered with but two restrictions:

- Each payment must at least cover the interest due for that payment.
- The loan must be on a fully amortizing basis by the end of the fifth year.

In a typical example of a flexible-payment deal, a borrower would apply for a 30-year, $30,000 mortgage at 8% interest. Normally, the monthly payment would be $220. By using flexible payments, however, the borrower could pay as little as $200 a month for the first five years and $230 a month for the remaining term of the loan. "This would enable a family with rising income expectations to purchase a home sooner than they otherwise could afford to," explains Tom Bomar, chairman of the Bank Board.

Flexible-payment mortgages have been advocated for some time by many in the S&L industry, including the National Savings and Loan League.

—D.H.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HUD rushing own police into field to enforce tough new land-sales rules

This summer the feds are putting 30 enforcement officers into the field to check on how developers are complying with the 1968 Interstate Land Sales Full Disclosure Act.

The officers will enforce broad regulations adopted only last December. These rules require much wider disclosure to buyers of factual information about both developer and development. The regs lay down much tougher rules on advertising, require much more information on the financial health of the developer, more information on the environment, and more detailed data about the completion times for the public facilities and amenities that are described as part of the development.

Scope. The regulations, according to George K. Bernstein, HUD's administrator of the Office of Interstate Land Sales Registration (OILSR), "go much further than anything we've had on disclosure."

To defer the impact, at least temporarily, hundreds of land developers took advantage of a rule that allowed them to register up to December 1 under the old, less stringent regulations. Those developers need not comply with the full sweep of the new regs until they are required to file with OILSR a material change or amendment to their original registration papers. But they had to begin complying immediately with new regulations on what their advertisements can show in photographs and say in the text.

Target states. The land development policemen will bird dog the land-boom states first—Alabama, Arkansas, the Carolinas, Florida, Georgia, Mississippi, New Mexico and Texas.

The land business has been slowed by fuel shortages and recession talk, but HUD's feds expect to keep busy. For one thing, 2,800 developers have already registered 3,600 developments. But John McDowell, a deputy administrator of OILSR, estimates that another 2,800 may have failed to file. And of those registered, many are not amending their filing—as is required—when they fail to meet a completion date for a road, sewer connection or swimming pool.

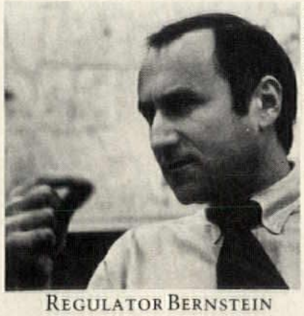
McDowell, in Houston for the convention of the National Association of Home Builders in January, got OILSR's computer print-out on five registered land-development subdivisions nearby—and found four were not in compliance.

Rules. The requirement for new financial disclosures triggered the rush by developers to file under the old regs. A company selling more than 300 lots or $500,000 worth of land must provide an audited financial statement to buyers, and that statement must be kept updated with any material changes in the company's financial condition.

This requirement has already provoked a dispute between OILSR and GAC Corp. of Miami, the largest land seller in the industry. The disagreement grew out of a GAC proxy statement disclosing the sale of two of the corporation's big financial and insurance subsidiaries.*

The upshot was that OILSR threatened to suspend GAC sales unless the company amended its filing at HUD, which in turn would require amending all property reports for all its developments so as to include the adverse financial information. The corporation resisted, and a hearing was scheduled for March 15. Officials at HUD privately suggested that a negotiated settlement was in the cards before the hearing date, however.

Warning report. The focus of OILSR's regulation is the property report, which contains specific information that must be given to a prospective buyer before he signs. A hypothetical report distributed by HUD runs 14 closely packed, legal-size pages.



DENNIS BROCK

REGULATOR BERNSTEIN
Task master for a task force

The first page is over-stamped in huge red letters that read, "purchaser should read this document before signing anything." That's a requirement for all property reports.

The last page—just above the signature of the president of the developing company—lists five special risk factors that also must be printed in each report. The first says, "The future value of land is very uncertain; do NOT count on appreciation." Another tells the buyer he may have to pay in full even if the developer doesn't fulfill his promises. The others call attention to difficulties that may hinder resale of the lot, including competition from the developer, and to government regulations that may affect the buyer's ability to use the land.

Disclosure. The property report must also disclose pending or completed financial changes to include disciplinary action by the S.E.C. or other regulatory agencies, bankruptcies, or litigation. The report must reveal any indictments or convictions relating to a company's land sales.

Environmental factors affecting the development must be described. They include noise, flood conditions, odors and chemical fumes.

Customers must be told if the developer is obligated to provide promised amenities such as swimming pools and such public works as sewer and water facilities and roads. Deadline dates for completion of such facilities and roads must be listed, and an amendment must be filed with OILSR if such deadlines are not met. The property report must then be modified to reflect the changes.

Rise in costs. The developers fought many provisions of the new regulations, but Gary A. Terry, executive vice president of the American Land Development Association, indicates they will go along with them.

"The members can comply and will," he says, "but these regulations are much more expensive to comply with (than the old ones they replace) and the costs will have to be passed on to the buyers."

Terry says one problem is that lawyers for many developers have "no knowledge at all or an inadequate knowledge" of the regulations. The result, he says, is that some developers have taken "their attorney's best advice—but that has gotten them into a lot of trouble."

Condominiums. The National Association of Home Builders fought any application of the law and the regulations to condominium developers—even though McDowell says, and the builders agree, that 99% of all condominiums probably won't be affected.

The law HUD officials say, exempts any development in which the developer completes construction or is obligated to complete it in two years. That is true of most condominium sales. The homebuilders maintained that a condominium is the equivalent of a house and that house sales are not covered by the law. The HUD office ruled otherwise, but it was about to publish, early in March, a "clarification" of how the new regulations apply to condos. —D.L.

*GAC Finance Inc. and Stuyvesant Insurance Group

Where the golden sand is gold, indeed

Developers have sold 100,000 acres of the Great Salt Lake Desert at profits up to 1500% in the last four years.

Natives describe the tracts variously as dry, salty and a "no man's land." Property taxes run to about 12¢ an acre.

The principal developers and retailers are reported by the *Salt Lake Tribune* to be Thomas Ogasawara and Jim Ferry of Honolulu and a Las Vegas company, Technical Investors Ltd. Technical's officials involved in the operation reportedly were E. F. Mueller and David Boyer.

Buyers, paying up to $250 per acre, were apparently drawn from such conveniently distant points as Hawaii and Japan. (Nobody in Utah was paying anything like these prices for desert land). Yet some buyers have actually journeyed to northwestern Utah for a look. The locals say the new owners venture into the desert, look around, and come back, tired and covered with alkali dust, but often full of plans.

One such plan: "I'm going back home and kill the s.o.b. who sold me this!"

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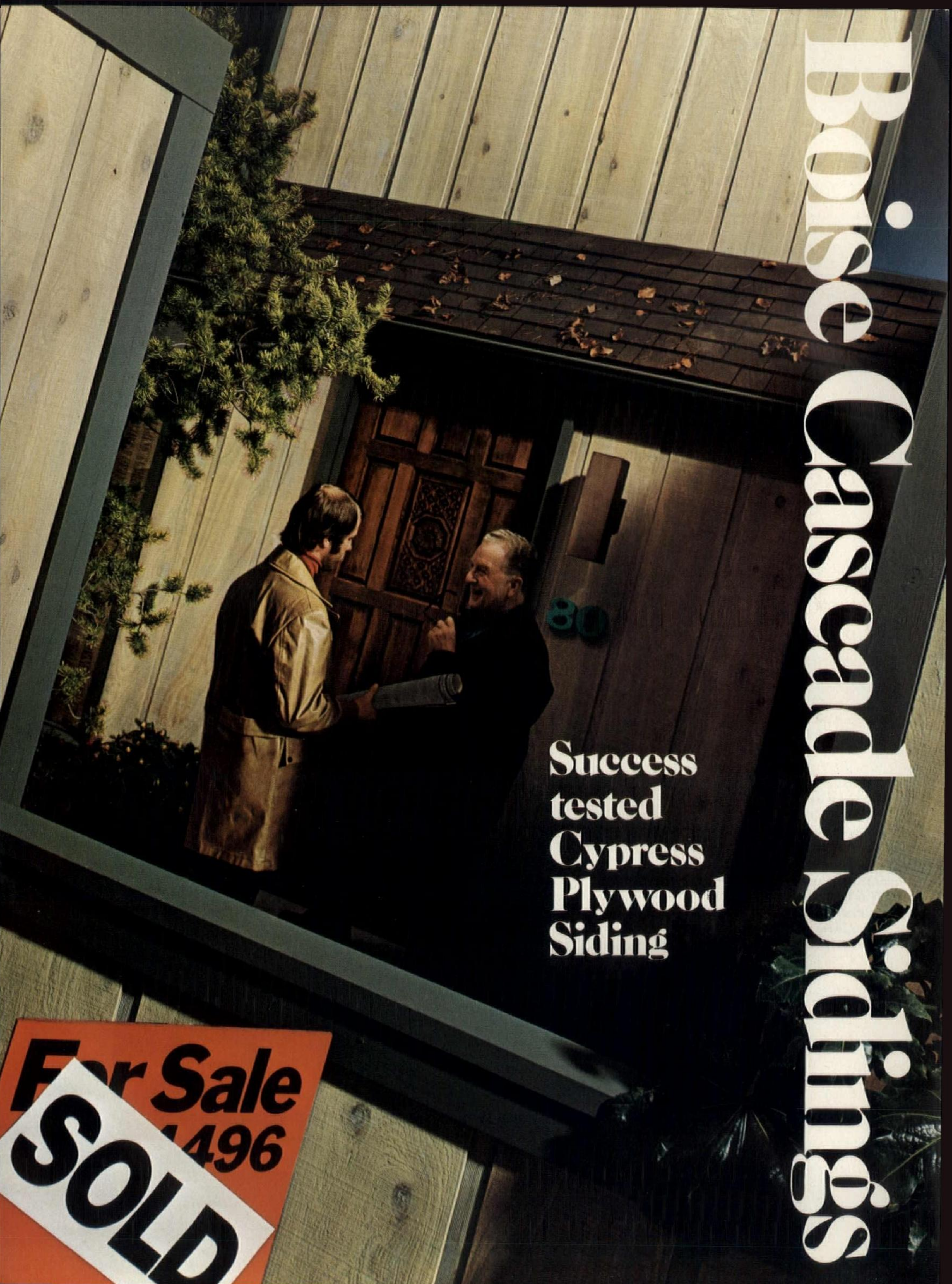
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Once again—A housing resurgence fueled by easy money reported on the way

The economy is now recapitulating the conditions that in late 1970 triggered the record 1971-73 housing boom.

Money will not be a problem for homebuilders this year, and the housing market could hit a total of 1.8 million starts before the year is out—if builders are not swamped by all their other problems.

These are conclusions of Advance Mortgage Corporation's current semiannual survey, *U.S. Housing Markets*. Advance, with headquarters in Detroit, is a subsidiary of First National City Corp., New York.*

"The year 1974," says President Irving Rose of Advance, "will be a test year for the proposition that financing determines the housing trend.

"Money is coming back into the thrift institutions with a rush. Mortgage rates have already fallen on the average more than a percentage point from their credit-crunch peak and some additional decline seems in early prospect.

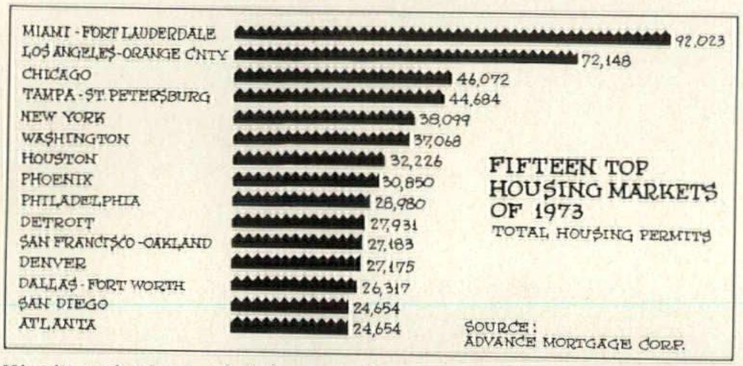
"But it's hard to recall a time when builders had so many other problems."

Starts. Rose sees other elements of strength in today's housing market: There is strong demand in the rental sector, though not the outright shortages that existed in 1970. And, as in 1970, there is now federal intervention to subsidize interest rates, affecting 200,000 new units.

As a result, the Advance survey projects starts this year escalating from an annual rate of 1½ million in the first quarter to more than 2 million in the final quarter. Rental starts should lead the recovery in the early quarters and condominiums should contribute a push later in the year with the aid of the federal interest-rate subsidies.

In 1973 there were 2,054,000 public and private housing starts, fourth highest total ever. But the annual start rate fell as money tightened, from a record 2,445,000 in the first quarter to 1,590,000 in the fourth. The fall between the first and second half was greater in the nation's major markets than in the less populous areas.

*Although the Federal Reserve has directed Citicorp to divest itself of Advance by the end of 1980 [News, Feb.].



Miami's market has just had the next-to-hottest two-year housing boom in history. Only Los Angeles built more—in 1963-64, when it had three times Miami's population.

Problems. Rose hedges the 1974 forecast: "There are limitations on the housing market's ability to respond to financial easing that did not exist in the 1970-71 recovery."

One is costs. Materials shortages plus plain old inflation are driving up construction costs. The combination of environmental restrictions and energy crisis, limiting the sites suitable for new projects, is driving land costs up.

Another is the state of demand. It remains strong overall. Sales and traffic in local markets are rebounding from a dismal fourth quarter of 1973. But there is no longer the 1½ million unit backlog that existed in 1970. And there are spots of local overbuilding, particularly in condominiums. Much of this, but not all, was a result of financing problems of the credit crunch. In Chicago and Atlanta, areas with low interest-rate ceilings, some completed condominiums have been without a mortgage commitment for as much as six months.

"Florida remains a special question mark," Rose says. "It will remain for years to come the hottest U.S. housing market, absorbing more units than anywhere else in proportion to population. But it cannot sustain the extraordinary level of the past two years when it accounted for some 12% of all U.S. starts. Whenever it adjusts down to absorb the volume of recent and forthcoming completions, a good-sized chunk will be broken off the total U.S. market."

Energy. Of the energy crisis, Rose says: "This is undoubtedly the problem, after money, that is of greatest concern to builders. But it is not clear that it is causing a net loss to the housing market, except in the short run. Until the crisis is better defined, and there is enough information to permit rational calculation of the extra costs of owning a home in a far suburb compared to one close-in near a bus line, much decision-making by both buyers and builders will be paralyzed. But this indecision will help fatten rental occupancy rates.

"And then there are the usury laws. In 1970-71 conventional loan rates bottomed out below the interest ceiling of almost every state. The current average rate, and even that which we project for the next month (8¼%), are above the interest ceilings in Chicago, Minneapolis-St. Paul, most of the Washington market and are just barely under the ceiling in New York. One would have to be a dreamer to speak of significant early easing in these mortgage markets."

Nearly all the major markets with the sharpest second-half declines in 1973 were affected by usury laws, the survey found. These included not only those named above but Atlanta, which has a 9% ceiling, and the southern California markets, where the 10% usury ceiling on out-of-state lenders doesn't have much effect on residential mortgages but limits construction loans.

Mobiles. The mobile home industry suffered through its own version of tight money in the fourth quarter and shipments for that period fell off 20%, the industry's first decline in nearly four years. Nevertheless, the annual total of 580,000 mobile home shipments exceeded the year-before figure (572,000) and the total is projected to hit 615,000 shipments, after a relatively slow first and second quarter. The industry's larger units, the double-wides, which approach conventional-home size, and the 14′ models, showed strong growth all year long. The 12′ models, though still more than half the total mix, have begun to decline.

The war cry at HUD is: Keep firing

Housing Secretary James T. Lynn is still trying to trim the bureaucracy he inherited—almost 16,000 employees—from George Romney a year ago.

By June 30, Lynn expects to have lopped off 1,800 jobholders—a reduction of about 11%. And during the year beginning July 1 he hopes to get rid of another 600, taking the rolls down to 14,156.

As is often the case with declining empires, the number of bureaucrats at headquarters holds or expands while the number in the field declines. In HUD's case, field staffs are to lose 1,800 persons from July 1973 to July 1975—with 1,600 of those leaving the Federal Housing Administration. But HUD's headquarters grows from 3,551 employees in June 1973 to 3,625 in June 1975.

Lost battalion. There are about 2,000 temporary employees that are not counted in the general reckoning. Some 50 of those are to be hired for a year or more to help 250 permanent employees clear up the backlog of complaints by minority families about housing discrimination.

Slicing bodies off the payroll doesn't automatically cut payroll costs—for Lynn any more than it does for other employers. The costs will rise $2.5 million for HUD this fiscal year, despite the decline in employee numbers. But for fiscal 1975, beginning July 1, the payroll will drop $5 million from the $268 million HUD will spend on payroll this year.

Other costs. Inflation is also a major concern. It raises the prices of rent, travel, utilities, printing and the like. So the total cost of administering the department's programs will hit almost $370 million in fiscal 1975, up $18.5 million over this year's $351.3 million and up $25 million over 1973. —D.L.

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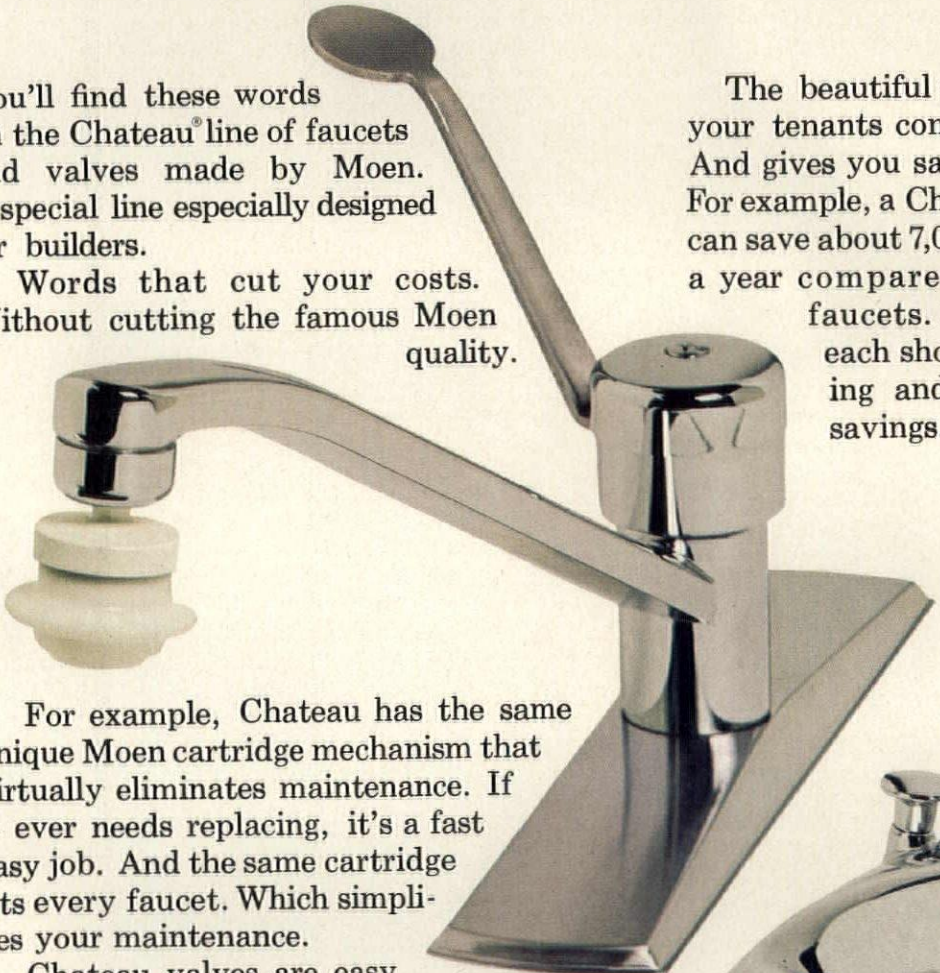

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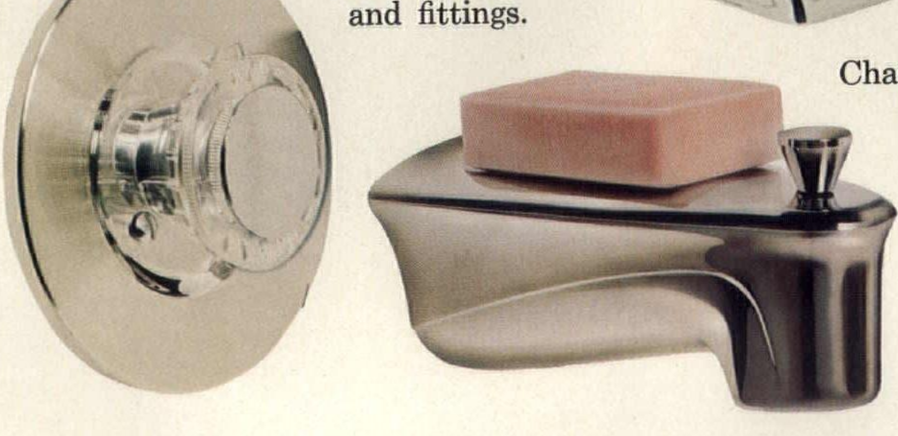

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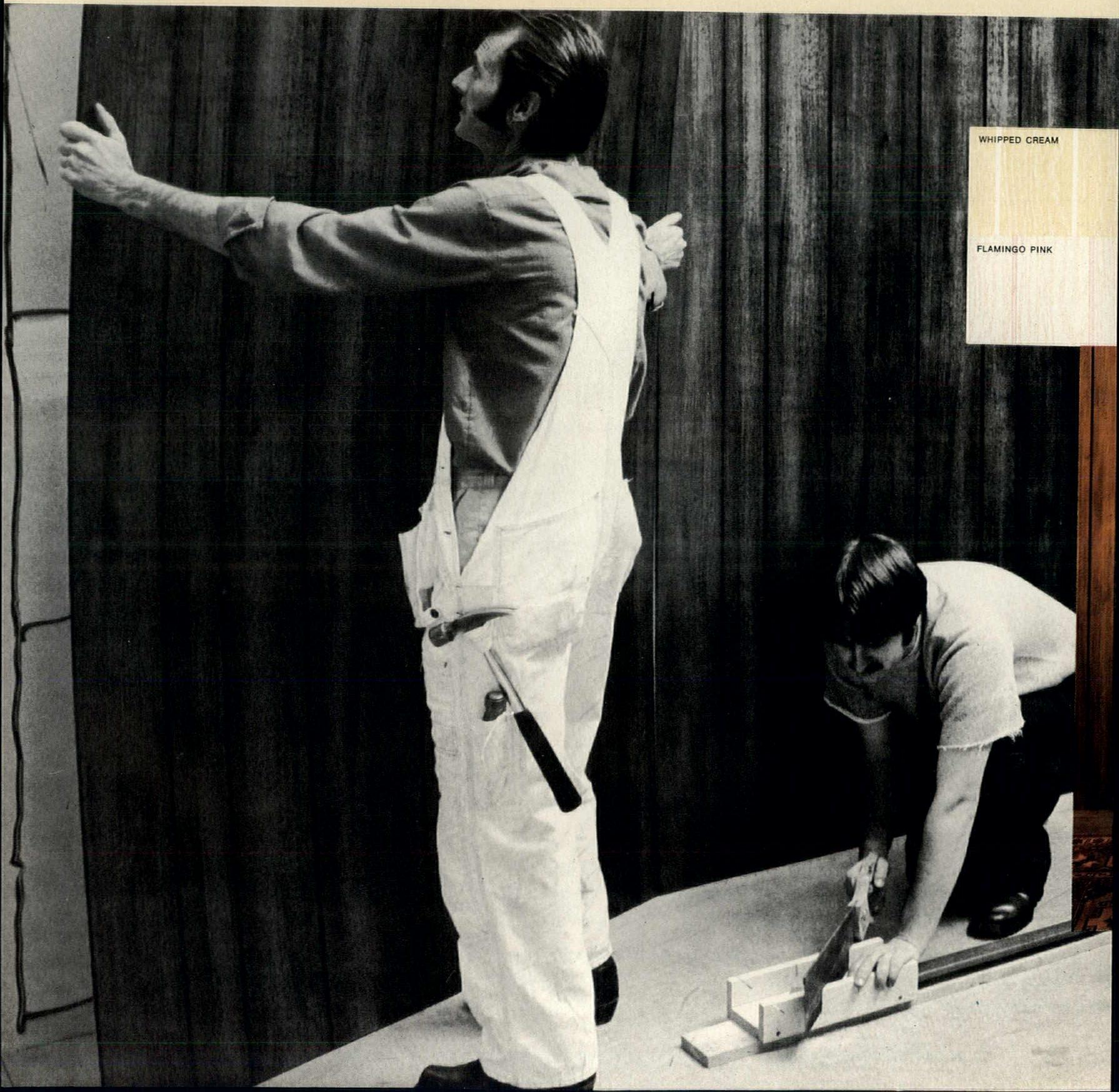

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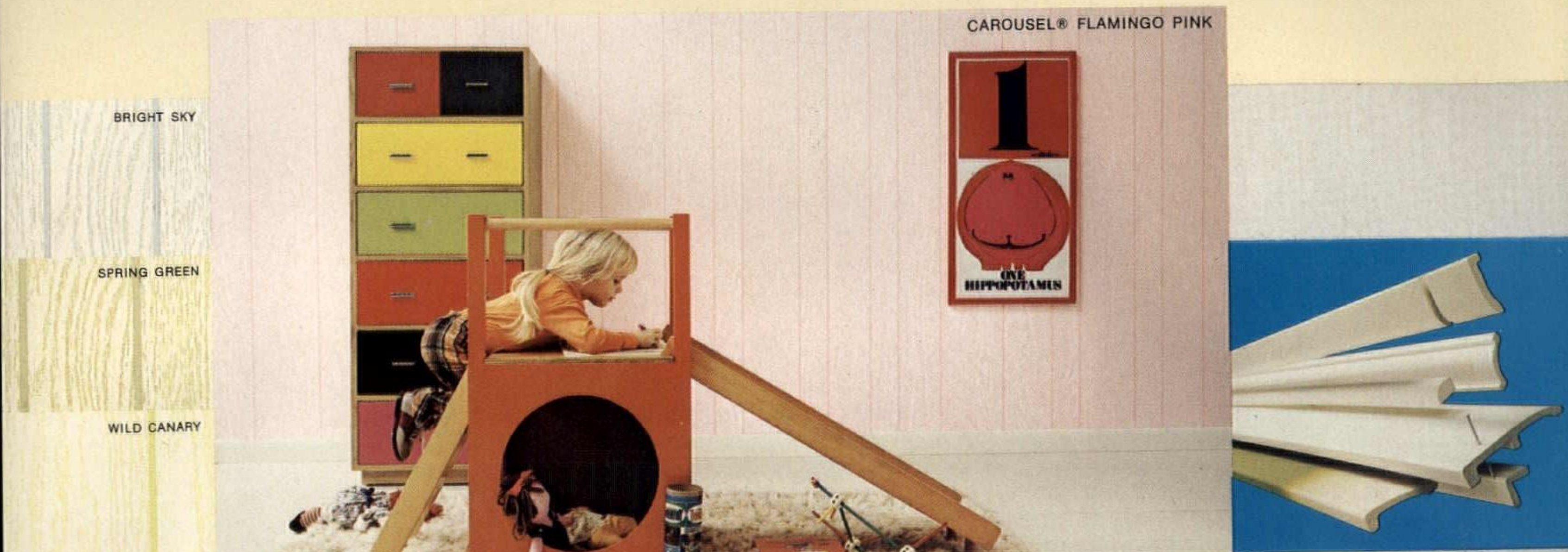

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Prices of building materials still climbing but lumber stabilizes a bit

While housing drifts through a dead calm that's expected to last until summer, the prices of building materials soar on the winds of inflation.

The quotations for all construction materials rose sharply throughout 1973 and most observers expect that the rate of increase will do no more than moderate this year. The consensus forecast is for a rise of another 5% to 10% in 1974, following a jump of more than 12% last year.

The energy crisis and the lifting of controls on most industries will keep upward pressure on material prices even when demand softens. Later in the year the expected upturn in housing will renew demand pressures on prices, and capacity limitations in some supplier industries will not disappear for years.

Inflation and oil. Some observers also point out that construction material prices are unlikely to weaken because inflation throughout the economy is so strong. Says a spokesman for Jim Walter Corp., the $1-billion supplier of building materials: "There is not much chance of a downward cycle in material prices as long as prices are running wild in the rest of the economy."

In the next few months, the most intense pressure on material prices will come from the higher cost of oil. Prices of many petroleum-based products such as asphalt, roofing materials and plastic pipe will continue to rise sharply. This in turn could lift prices of substitutes as builders turn to other products. George Christie, chief economist for F. W. Dodge, division of the McGraw-Hill Information Systems Co., put it this way: "Watch the effect on prices as builders seek to switch out of high priced petroleum-based products."

Production curb. Prices of some products will rise not only because oil is more expensive but because crude oil shortages will keep a lid on production of construction materials. Asphalt, for example, is currently in very short supply and the shortage is likely to continue or worsen because the federal energy office is encouraging the petroleum industry to reallocate more crude to other products.

Materials which are not petroleum based but require a lot of energy to produce are also expected to continue to rise in price. Brick makers report that natural gas is unavailable for production and the prices of substitute fuels such as propane and fuel oil have risen astronomically.

"I expect that brick prices will rise between 5% and 10% this year," says George C. Sells, president of the General Shale Corp., the country's largest brick maker.

Energy penalties. The energy crisis is also increasing the demand for insulation, the materials for which are either petroleum-based or require a lot of energy to produce. Homebuyers are demanding more insulation in order to cut the fuel costs of heating and air-conditioning. As a result, demand for roofing materials and fiberglass is very strong.

Strains on production capacity in other industries will also maintain upward pressures on materials prices. The cement industry has been critically short of capacity, and even though it is beginning to build, it takes two to three years to put up a cement plant. Meantime, more plants are expected to be closed because they cannot meet air pollution standards.

Brick. "Capacity limitations could also result in shortages of brick by the fall," says Sells.

Industry spokesmen say that very little money has been put into new capacity in recent years because the cost of capital is high.

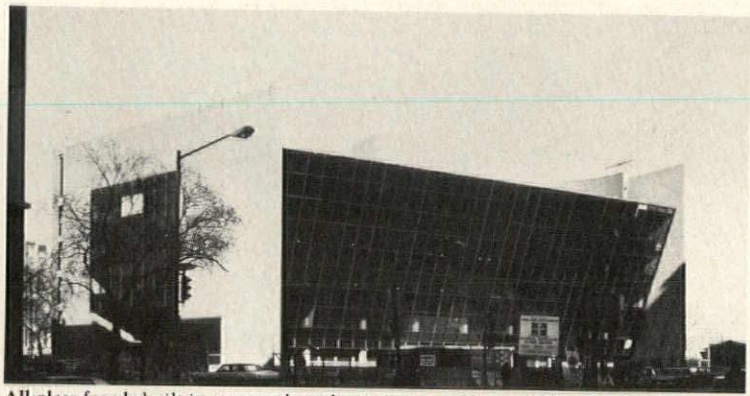
Prices of many products will also bulge as controls are removed and suppliers attempt to catch up with rising costs. Several steel companies announced a 5% increase in rebars almost immediately after the Cost of Living Council relaxed controls on the industry two weeks ago.

"Our immediate outlook is for prices to go up as controls go off," says Roger Allen, an economist with the Association of General Contractors.

A dip on lumber. The only area where some price relief is in sight is in lumber and plywood, and that relief is expected to be temporary. Prices have been easing and are expected to stabilize for a few months, but the direction of prices will later be determined by the strength of housing construction.

"We expect a recovery in lumber and plywood prices this spring, and the level of prices will reflect the level of demand," says Jack Muench, chief economist for the National Forest Products Institute.

—Edward Mervosh
McGraw-Hill World News, Washington



JAY ALEXANDER

All-glass facade built in reverse slope dominates new National Housing Center.

New Housing Center wins rave notice

The new home of the National Association of Home Builders has gotten a rave review—even before completion—from Washington's best-known architectural critic.

The new National Housing Center is "a sophisticated work of architecture any way you look at it," Wolf von Eckardt wrote in the *Washington Post*. That was only the opening note in a cascade of praise for Architect Eric Chung (of Vincent G. Kling & Partners, Philadelphia) for his design and for the NAHB for deciding "to contribute generously to the cityscape" rather than move to the suburbs.

The five-story, $5-million building, to be dedicated in June, will have 100,000 sq. ft. of office space (plus 7,000-8,000 sq. ft. of space for exhibits, and a 400-seat auditorium) on a triangular, ¾-acre site at 15th and M Streets Northwest.

A sub-basement houses a 56-car garage.

Neighborhood. The site is across the street from the plush Madison Hotel, and a few blocks from NAHB's present offices at 1625 L Street, close to the Statler Hilton. The point of the triangle that faces Thomas Circle will have a garden of flowering trees surrounding a brick-walled courtyard with benches and a pool.

While the building is of trapezoidal shape—a rectangle with a triangle attached to each end—the office space is in the rectangular part with the utilities in the triangular sections.

"Best of all" about the building, says von Eckardt, is the all-glass south facade facing the corner of 15th and M Streets, "which is sloped outward to invite people but not the direct sun . . . A generous, open-armed gesture (which) embraces the city and beckons you inside." In front of the bronze-tinted glass is an entrance plaza with a fountain and space for exhibits.

"This disciplined, simple brick and glass building is at once refreshingly novel and refreshingly pleasing," von Eckhardt went on. "This is rare these days."

Practice and preachment. The Kling firm says the homebuilders asked for a structure that "should be distinguished but modest—not monumental." Von Eckardt notes that the NAHB could have built a bigger building than it needed in order to rent out the additional space—as the American Institute of Architects did when it built its new building two blocks from the White House.

"Architects talk even more about a living environment and often complain about the 'greedy builders' who disdain architectural niceties," von Eckardt wrote. It's only his opinion—and other critics might differ—but von Eckardt believes the homebuilders bested the architects, "environmentally and architecturally." —D.L.

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A new mortgage note enlivens Ginnie Mae's campaign to seduce Wall Street

Momentum has now built up behind the General National Mortgage Association's mortgage-backed securities program, and the latest feature of the program is a construction loan certificate (CLC) pool-debt paper from multifamily projects' construction financing used to back investor securities.

As with Ginnie Mae's mortgage-backed pass-through securities, the point is to diversify away from traditional sources of housing finance and get funds from Wall Street when money is tight in banks and thrift institutions.

Last year's bout of high interest rates proved that such diversification is needed. In a year-and-a-half of CLC pooling, only eight mortgage banking firms have turned to it for construction money instead of relying as usual on bank lines of credit.

Enthusiasm. A few weeks ago, however, nearly 200 mortgage banking firms sent their executives to Washington for a seminar to canvass the possibilities of CLCs.

"What's new is this broad interest," says Konrad Rother, president of Dovenmuehle, Chicago.

Rother's firm is affiliated with the Chase Manhattan Bank and has no worries about inadequate bank lines, but he estimates 90% of the nation's mortgage bankers don't have access to enough bank money. Mutlifamily projects backed by the Federal Housing Administration carry a $2 million price-tag, for instance.

Molton, Allen & Williams, a Birmingham, Alabama mortgage banking firm has no bank affiliation. Last year, recalls Vice President John Johnson, "we had a $26 million deal on six mortgages that we couldn't handle in any other way." So he resorted to a CLC pool.

Pass-through's trials. Still experimental and probably liable to more refinements to make it more palatable to mortgage bankers, the CLC pool program seems to have a bright future piggy-backing on the popular Ginnie Mae pass-throughs.

The pass-through program started in February 1970. By the middle of 1972 the volume of pass-throughs outstanding came to $4.6 billion. By the end of 1972, it was $5.7 billion. At the end of last year, volume was up again to $8.7 billion. A few weeks ago it was $9.8 billion.

The 1973 period offered a critical test which the pass-throughs came through with a very encouraging performance. Until then, Wall Street hadn't shown much evidence in mass numbers of regarding this mortgage paper as a fully alternative investment to stocks and bonds. In 1972, two-thirds of pass-throughs sold went to savings and loan institutions, and mutual savings banks bought a large chunk of the rest. It looked as if the purpose of the pass-through, to find new sources of money, was failing.

And successes. Then came 1973's tight money and S&Ls had less spare cash to invest. They still bought half of the $3 billion sold. But to the extent that they fell short, a flock of other investors—led by pension funds—stepped in. That was because the Federal Reserve, tightening money in July, drove mortgage rates up to levels at which they became competitive with industrial bonds. Pension funds rushed to snap up all the mortgage pass-throughs issued.

Ginnie Mae secretary treasurer Albert Fulner Jr. expects to sell "at least" $3 billion more pass-throughs this year with the up-side limit on sales depending on housing starts. Fewer starts, fewer mortgages.

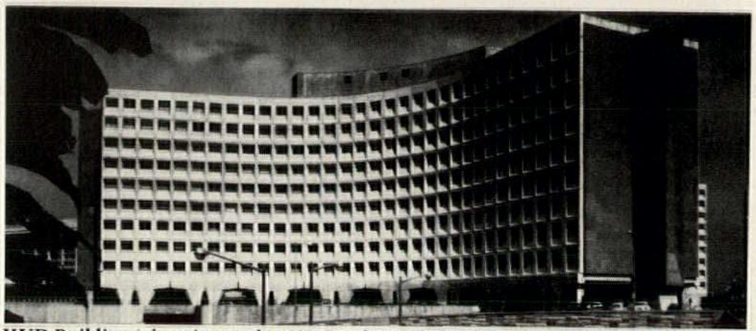
Down on the farm. A similar tale of growing volumes of pooled mortgage paper is told by the Farmers Home Administration. The agency pools its own loans for sale in New York City, and it has recently begun pooling rural FHA-backed loans initiated by private lenders. In fiscal year 1973 FmHA sold $2.1 billion of pool securities through issues in New York plus $1 billion more over the counter from its finance office in St. Louis.

Even if the pass-through yield becomes less competitive with corporate bonds in the future, Fulner expresses optimism about selling this product—both because it is riskless, with Ginnie Mae's guaranty, and because of its considerable liquidity.

"We have $100 million a week in national market secondary trading," he says. "I don't know of any corporate bond that wheels and deals like that."

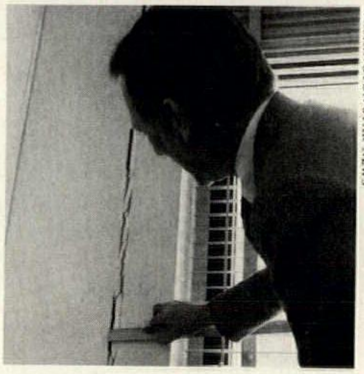
Hazards. Mortgage bankers using CLC pools have the option of converting them to permanent loan securities when a building is completed—that is, into regular pass-throughs. If they had their way, mortgage bankers would persuade Ginnie Mae to obliterate the distinction between temporary CLC pools and permanent securities because they are uneasy about the normal hazards of construction delays causing them to run afoul of the deadlines for the temporary CLCs to mature. The danger for them is that, if the worst happens, they could be obliged by terms of the CLC security sales to buy back the securities, thereby investing capital in mortgages which might be offering rates of return below current market levels.

—Stan Wilson
McGraw-Hill World News,
Washington



HUD Building *(above)* opened in '68. Employee *(below)* measures internal wall crack.

For HUD Building: crack-up, recovery



WASHINGTON STAR-NEWS

It was front-page news in Washington.

The proud new HUD Building, an X-shaped behemoth overlooking the Potomac, was not sliding into the river or even falling into the 80-foot-deep subway tunnel that is being dug around two sides of the structure.

A hurry-up evaluation of the chances of such a disaster was sparked when the maverick newsletter *Impact*, published by a HUD employee, Al Ripskis, spotlighted a top-to-bottom crack in the wall of the building.

The newsletter said the crack had been growing for about a year. The *Washington Star-News* picked up the story, and both the General Service Administration's Public Building Service and Metro, the subway corporation, scurried around to investigate and then to discredit the article.

Fault—but whose? The crack, it turned out, had appeared above one of four expansion joints built into the walls. The joints should have allowed the walls to contract in cold or expand in hot weather, but one wall cracked when it contracted.

Why?

Larry S. Rousch, commissioner of PBS, said there was one faulty expansion joint, but he said he wasn't concerned about it. And a GSA spokesman insisted:

"There's nothing wrong with the building. It's just reacting to cold."

George Joergensen, a GSA inspector, found that the joint had opened farther than it should have, however. He said that could have happened because of architectural error, contractor error, subcontractor error, or just poor workmanship.

Gibraltar, etc. Metro officials now say they have measured their tunnels and found that the HUD Building hasn't settled more than two one-thousandths of a foot since excavation began a year ago.

"The building is on firmer foundations than it had before," said Cody Pfansteihl, the Metro spokesman. "That's because of additional columns put under the subway. We're innocent."

—D.L.

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What must you know about your prospective buyers in order to plan land purchasing? Prices? Design? Effective ads? Sales programs?

How do you discover your market's price voids? Product voids?

Product Research

How can you determine the strongest possible product for your market?

What extra features have the greatest appeal?

How do you know if your product is hitting—or missing—the market?

How should you monitor your competition to further your own success?

Advertising

How do you pick—and work with—a good advertising agency?

How much should the ad budget be in your particular market?

What are the three key ingredients in every good ad?

How can you slant your advertising towards a specific market?

Where is the prospect in today's tougher market, and what new advertising approaches will bring him out?

Public Relations

Can a good PR program make an ad campaign more effective?

What are some of the new ways to use the media?

How can you make referrals really work?

What kinds of communications are most effective after a prospect has visited your project?

On-Site Merchandising

How much do you need to spend to have an effective sales office?

What kind of sales office should you have—Permanent? Movable? Model? Garage? Nothing?

What percent of the merchandising budget should go into the sales and model area?

How do you create graphics that make the sales area and the models more appealing?

How can you control traffic in the sales and model area?

Model Presentation

How can you minimize model-area costs?

How much should you spend to decorate your models?

When don't you need to decorate?

What colors turn buyers on—and off?

How can you make one model do the work of many?

Sales and Sales Training

What motivates today's buyers, and how can these motivations be turned into an effective sales program?

What criteria should you use in determining how to compensate your sales staff?

Which face-to-face sales techniques are most likely to give results?

How do you train and motivate your sales staff to sell **your** product?

What monitoring systems can you use to make sure your salesmen are performing at their peak?

How can your salesmen reach your prospects most efficiently in today's fuel-shy economy?

CT RESEARCH, ADVERTISING
E MERCHANDISING, MODEL
NING & SALES TECHNIQUES

Bayne A. Sparks is vice president, communications for Santa Anita Consolidated, whose homebuilding subsidiary, Grant Corp., is one of the country's major developers. Formerly, as corporate vice president of marketing for Grant Corp., he supervised the firm's marketing and merchandising operations in Northern and Southern California, Nevada, Arizona and Hawaii. Before joining Grant Corp., Mr. Sparks directed marketing and sales operations for Coronado Cays and for Rancho Bernardo, well-known projects in the San Diego area.

W. E. Mitchell is president and senior associate of Market Profiles, a marketing, merchandising, sales and research consulting firm. Previously, he was director of residential marketing for Walker & Lee, Inc., one of the West's largest residential real-estate firms, and later became general sales manager for Deane Brothers, Inc., a builder widely respected as one of the most creative marketeers in the country. Market Profiles was formed in 1968.

Jack Risbrough is founder and head of Jack Risbrough Associates, a consulting firm that provides comprehensive marketing services specially designed for the small and medium-volume builder. Before founding his own firm he held a number of key marketing positions: general sales manager of a division of American Housing Guild, project manager for Deane Brothers, Inc., national marketing vice president of J. H. Snyder, Co., and national marketing vice president of Deane & Deane, Inc. He is currently Region II chairman of the Sales and Marketing Council of NAHB.

Dave Stone is president of The Stone Institute, Inc., a market and management consulting firm with offices in California, Minnesota, Missouri and Washington, D.C. He has been both a realtor and a builder, and served as general manager of Stone & Schulte Inc., a realty firm that represented many of the San Francisco Bay Area's most successful builders. He is best known as homebuilding's leading expert on sales and sales training; over the last 20 years he has lectured on these subjects to more than 100,000 industry people in 50 states, and he has authored eight books on real-estate selling.

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4–74

Max Karl and his MAGIC: Old pro in comeback after the debacle of Maggie Mae

It was in '73 that MAGIC lost its touch.

Max Karl, who runs the operation, wouldn't put it quite that bluntly. But Max concedes that the '73 second half was a sweat-out for both the homebuilding industry and its helpmate, the private mortgage insurance business.

Max ought to know.

He is president of MGIC Investment Corp. of Milwaukee, the so-called MAGIC combine that owns two highly-visible companies buying on insuring private mortgages. They are the Mortgage Guaranty Insurance Corp., or MGIC, the world's largest private mortgage insurer; and the infant MGIC Mortgage Corp., or Maggie Mae, organized in 1972 to buy residential mortgages for investment. (MGIC has just elected a new president, Leon T. Kendall, but Max remains chairman.)

Failure . . . and faith. Now to the troubles. The second half brought a credit squeeze, Max points out. Bank loans rose to 12% plus, and a scheme for borrowing short-term money and lending long in mortgages through Maggie Mae slipped into a 2.33% negative spread. Nobody can make money on a deal like that.

The shares of MGIC Investment, consequently, toppled from 98⅞ to 24½ on the New York Stock Exchange.* The issue had been one of Wall Street's success stories, and a good many security analysts turned a cold shoulder to both the housing and mortgage insurance industries. They suggested that Maggie Mae's misstep had ended the honeymoon for MGIC stock for all time.

Not so, says Max.

"Outstanding mortgage debt has burgeoned in the last ten years," he explains, "so runoff on mortgages is a greater source than ever, and we are relying less and less on new funds. Perhaps 1973 was bad, but we had a cushion that we didn't have in 1969-70. The Fed was able to control the situation."

High hopes. Karl professes to a long-term optimism about the housing and mortgage insurance business that he bases on several facts, including a maturing private mortgage insurance industry that has at last organized into a trade-association *(see story below)*, a Maggie Mae that has reduced its negative spread to 0.145% and housing market projections that foresee doubling and tripling growth by 1980.

As for the MGIC mortgage debacle in 1973, the parent company claims that it has concentrated on renegotiating the revolving credit, liquidating the debt and improving the capital reserves of its ailing subsidiary. Says Karl:

"All the adverse publicity about MGIC was due to the performance of Maggie Mae. We never anticipated a 10% prime rate, so it just jumped away from us. We had set out to have a mix of long, short and medium-term debt. But at the same time that the prime rate jumped from 6.635% to 10.106%, our average net portfolio yield moved only from 7.642% to 7.777%.

MGIC INVESTMENT'S KARL
Back to the miracle trail

Assistance. In October, MGIC Investment infused $20 million of equity into Maggie Mae, raising its total investment to $50 million. The parent also provided $100 million of junior subordinated debt. The move produced an equity base of $150 million for MGIC Mortgage.

"We also closed some $56 million in participations, or rent-a-loans with the S&Ls in which we sold blocks to the S&L with an option to buy them back," Karl reveals. "The result has been that as of the end of February, 1974 we have increased the portfolio yield to 7.828% while the cost of money has dropped to 7.973%. We have weathered a most unusual money market."

Karl also says that Maggie Mae is basing much of its hope on mortgage-backed securities as a capital source.

"This is a new concept in which we'll have to interest the institutional investor, but we feel it will become an important third source of secondary marketing," he explains.

Growth. Karl actually predicts good growth for Maggie Mae now.

"The third quarter will bring an active homebuying market," he goes on. "We think the interest rates will soften by ¼% to ½%."

And once 1974 is past, Karl sees an increasing activity for the private mortgage insurer.

"The PMI had a 38% penetration in 1972," he said. "This could jump to 60% or 70% by 1980. Two thirds of all high ratio loans will use PMI by then."

If he's right, Max and his MGIC will have wrought another near miracle. But miracles are not new to this old professional. His biggest was MGIC itself—with its $19 billion of mortgage insurance in force. Max founded it only 17 years ago on a mere $250,000.

And MGIC itself came sailing through '73 with all flags high. It raised earnings by a whopping 64%, to $30 million, and it provided the impetus for MGIC Investment's increase in net to $43 million, or $1.95 a share, from $27 million, or $1.28 a share in '72. —MIKE KOLBENSCHLAG
McGraw-Hill News, Chicago

* It has since worked back up into the 40s.

Dozen insurers in search of a policy

The 12 private mortgage insurance companies licensed in one state or more have organized a trade association, the Mortgage Insurance Companies of America (MICA).

The catalyst, says the group's president, Max Karl, was the Emergency Home Finance Act of 1970.

"It was suggested or implied that there was a governmental responsibility to observe and test the soundness of the private mortgage guaranty," he explains. "Federal agencies would set up regulations that could effect the eligibility of the private mortgage insurer. The agencies want standards, and this could be the wedge for them to regulate or over-regulate the industry."

Inquiry. Two government mortgage agencies, Fannie Mae and Freddie Mac, have commissioned the Arthur D. Little research firm to make a study of the private mortgage insurance industry, and the insurers are not wildly enthusiastic at the idea.

"The industry has done nothing to invite this type of federal interest," says Karl. "The study will be completed in a year, and we felt that if we moved now we could have a say in what happens to our industry."

Karl says that MICA has already formed a task force to deal with federal agencies and legislation and to seek a common industry policy. Karl sees these views evolving in the group:

Reinsurance. "HUD has proposed this, but the industry doesn't like it. We think it will only impose an additional cost on the homeowner. The guaranty we now offer is sound. No one in the industry is asking for reinsurance."

Coinsurance. "We favor this, because there's no responsibility if you have 100% insurance. That's not to say that I don't believe in the 95% loan, because I do. But there are many unsound buyers as well as some lending institutions that have abused the loans."

Eligibility. "We want to limit the kind of supervision and regulation that comes out of Washington. The threat of over-supervision and over-regulation is real. We already have good competition in the industry with 14 existing companies and room for more. It may have been hinted that MGIC has had an overwhelming share of the market, but size comes with the time you've been around. Our current share is 57%. It was 80%."

Holding companies. "We didn't form MICA specifically to fight the encroachment of holding companies into our industry, but we will carry on the fight there."

The S&Ls. "Our fortunes are tied to the vitality of the S&Ls. They are the cornerstone of the housing industry and any attempt to equalize all financial institutions would weaken this structure. Regulation Q (to restrict the interest that rival commercial banks pay on deposits) should stay on the books."

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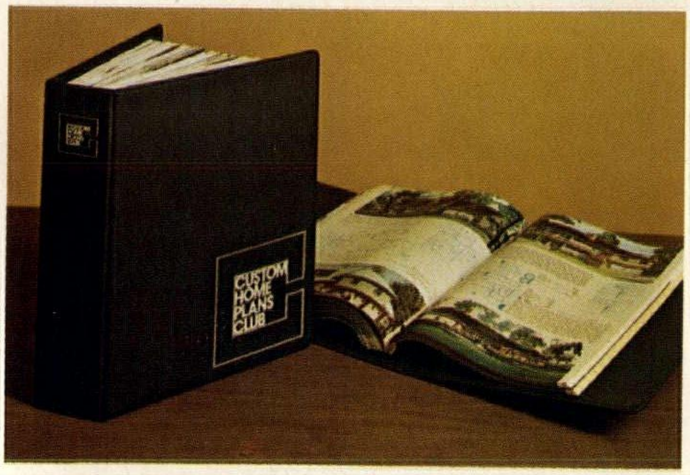

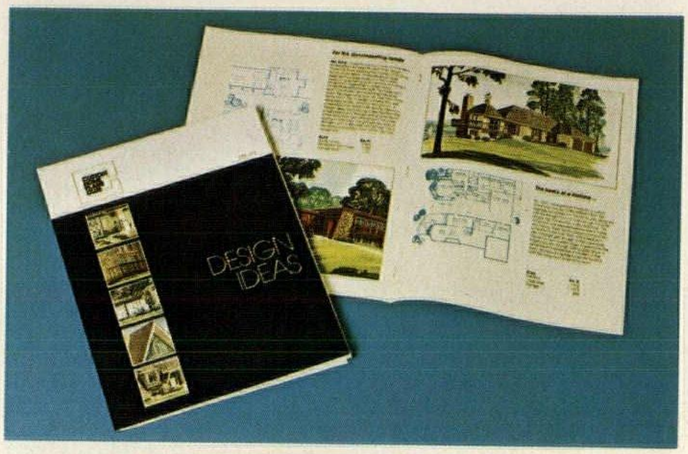

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Beyond the initial 12 sets available as part of the Club

New network to quote mortgage prices, new computer to test loan quality

The Federal Home Loan Mortgage Corp. is launching two projects designed to make the mortgage markets more efficient.

One, called Matrix, is a computer program that helps underwriters screen mortgage applications by matching them against industry and FHLMC standards. The more ambitious innovation is Amminet—an automated mortgage information network for the national secondary market.

The Amminet project has met with skepticism among mortgage brokers and some smaller mortgage institutions, whose main criticism centers on the cost and a fear that the traditional buyer-seller relationships will be disrupted. Amminet's supporters point out that while perhaps only about one-fifth of all S&Ls, for example, are really active in mortgage trading, more will enter the market because Amminet will improve liquidity, make pricing more certain, narrow spreads and speed the flow of mortgage funds around the country.

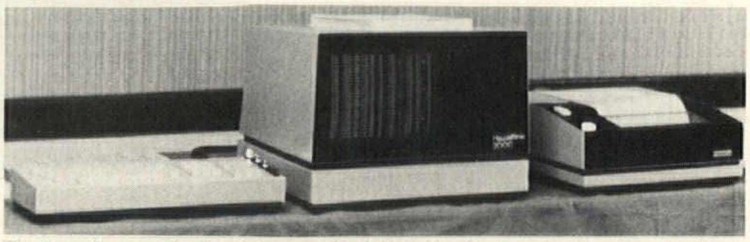
The network may begin operating by summer. It is being set up by Amminet Inc., a nonprofit corporation sponsored by Freddie Mac but owned by the Home Loan Bank System and a number of housing and lending trade associations.

SEC exemption. The project is being watched by the Securities and Exchange Commission, which has regulatory authority over many, if not all, Amminet operations.

The SEC staff, which has been working closely in private with FHLMC on legal and regulatory aspects of Amminet, has issued a no-action letter. That means that the SEC will not regulate Amminet so long as certain conditions are met. Most importantly, perhaps, the SEC wants the FHLMC to seek legislation from Congress exempting Amminet's operations from parts of the federal securities laws.

Amminet will operate for six months to a year as a pilot program.

Restrictions. To insure that Amminet remains purely a service for savings and loans, banks, mortgage bankers, insurance companies and other institutional professionals, several restrictions will be placed on network members.



The Amminet terminal with keyboard at left and hard-copy printer option at right.

Amminet will be limited to listing mortgages on residential property that have already been exempted by the SEC from certain provisions of the securities laws. These are conventional whole loans, FHA-VA loans, and Ginnie Mae pass-through securities. The minimum listing on Amminet is $100,000, but individual mortgages of $15,000 to $500,000 may be pooled to meet the requirement. No mortgages or securities bought through use of the system can be resold in participation interests, or shares in violation of the securities laws. Further, securities that are purchased cannot be fractionalized for resale to the public under any circumstances. Members who buy and sell with the aid of Amminet's price listings can do so only for their own portfolios.

The Amminet network will be a vehicle for self-regulation by members. Under Freddie Mac's agreement with the SEC, Amminet bylaws will provide for expulsion, suspension and disciplining of participants for violation of rules or "for conduct inconsistent with just and equitable principles of trade." Rules, however, aren't ready yet.

The SEC wants Amminet to have authority to inspect the books and records of participants "when the situation warrants" and to inform the SEC of any regulatory action it takes. No interstate securities transaction is exempt from the SEC's antifraud regulations, even when the parties operate under no-action letters.

Enrollment. Amminet is well on it way toward signing up the 250 to 300 participants it needs to break even once service begins. Dallas Bennewitz, former staff vice president of the U.S. League of Savings Associations, is president. Freddie Mac has been demonstrating the system to potential subscribers using simulated data.

Full members of Amminet will list with the system the mortgages they wish to sell by keying the data into a central computer through individual desk top terminals. Each member will have a secret code that gives him, and him alone, the ability to enter or remove his data. Associate members will not have terminals but can enter mortgages or buy and sell through full members. Full membership will cost just under $400 a month, including use of a terminal.

Information only. Amminet is not a market. After the user has found the mortgages he wants, the computer will provide the name and address of the seller along with the name of the sales agent. Buyers and sellers then get together privately.

Amminet members must meet certain requirements and must qualify for acceptance by a board. Users must have a net worth of $100,000. Thrift institutions that apply must be insured by federal or state agencies, and there are certain other requirements applying to different classes of users.

—Dexter Hutchins
McGraw-Hill World News,
Washington

Klingbeil Co. is up for sale; exit CBS, enter Ryan Homes?

The Columbia Broadcasting System is getting out of homebuilding.

The company says it has written off all $10 million it invested in the Klingbeil Co., the house and apartment builder in Columbus, Ohio.

The loss will run to $7 million after taxes for CBS, which bought into Klingbeil four years ago [News, Dec. '70]. Ryan Homes of Pittsburgh has an option to buy both CBS' 49% interest and President Jim Klingbeil's 51%. The deadline is Dec. 1.

Money worries. Sources at Ryan say that company has already acted to help Klingbeil out of a cash bind. Ryan has advanced $325,000 under a buy-and-lease-back arrangement on a new Klingbeil truss and door factory in Columbus and has taken a $225,000 mortgage on a half dozen townhouses. Ryan says it will probably help with financing construction and carrying costs for up to four of 11 other townhouse projects Klingbeil has around the country.

Klingbeil was apparently afflicted by the sudden disintegration of housing demand in 1973 on the one hand and an equally abrupt decision by CBS to put no more money into housing on the other. The CBS turnabout was particularly burdensome because the broadcaster was widely reported to have encouraged Klingbeil to expand aggressively beforehand.

Red Ink? There had been reports that Klingbeil was in the red anyway—and that it had even lost $3 million in the red-hot marketing year of 1972. The Ryan Homes source disclaimed any knowledge on that score.

"There was a sharp drop in net worth," he said, "but that could well be due to recent shifts in accounting rules covering negative cash flow projects."

Ryan's reasons. Ryan's interest seems to be in acquiring Jim Klingbeil himself and his team.

"We think the brightest future lies in townhouses, garden apartments and other multifamily projects, where they have experience and expertise," the Ryan source said, partly in explanation. "We're mainly single-family ourselves.

"But we don't want to buy their problems. We will not take on their leveraged risks; we're a conservative company.

"On the other hand, we're sure there are a lot of positives on their books. We'll have to make a thorough study of the whole company.

"Klingbeil's is a complicated business—we expect that to take us eight or ten months."

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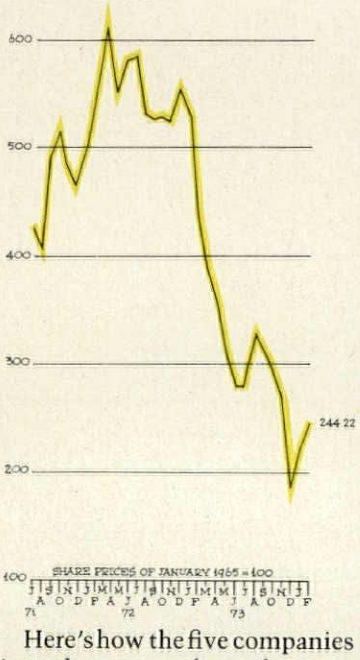
Housing stocks gain for third month

HOUSE & HOME's index of 25 housing industry stocks rose to 244.22 from 220.13 in the month ended March 4.

It was the list's third consecutive monthly advance. Mobile home shares led the way with a 17% gain, and both lending groups—the S&Ls and the mortgage companies—moved up about 11%.

Here's the composite graph of the 25 stocks.



Here's how the five companies in each group performed.

	Mar.'73	Feb.'74	Mar.'74
Builders	349	185	199
Land develop.	239	133	142
Mortgage cos.	1,217	603	672
Mobile homes	727	378	444
S&Ls	160	126	139

Company		Mar. 4 Bid/ Close	Chng. Prev. Month
BUILDING			
Alodex	OT	¾	---
AVCO Comm. Devel.—d	PC	1⅜	− ¾
American Cont. Homes	OT	5⅛	+ 2
American Housing Sys.	OT	1¾	---
American Urban Corp.	OT	1⅛	− ⅜
Bramalea Con. (Can.)	TR	6⅝	+ ¾
Campanelli Ind. (New America Ind.)	OT	5½	+ 2¼
Capital Divers (Can.)—d	OT	.33	+ .01
•Centex Corp.	NY	17	+ 3
Cenvill Communities	AM	8⅛	− ¼
Cheezem Dev. Corp.	OT	2¼	+ ¼
Christiana Cos.	AM	2½	---
Cons. Bldg. (Can.)	TR	3.35	+ .37
Dev. Corp. Amer.	AM	8⅜	+ ⅜
Dev. Int. Corp.—d	OT	¼	+ ⅛
Edwards Indus.	OT	3	− ¼
First Builders Bancorp.—d	OT	1	---
First Hartford Corp.—d	AM	2⅛	− ¼
FPA Corp.—d	AM	6½	+ ½
Carl Freeman Assoc.	OT	3	− ⅛
Frouge Corp.—d	OT	4½	− ¼
General Builders	AM	1⅜	− ⅜
Gil Development	OT	.01	− .24
Hallcraft Homes	AM	2⅜	− ½
Hoffman Rosner Corp.	OT	2	− ¼
Homewood Corp.	OT	6½	− 1
Hunt Building Corp.	OT	2¾	− ½
•Kaufman & Broad	NY	11	− 1⅝
Key Co.—d	AM	2½	− ¼
Leisure Technology	AM	4⅛	---
Lennar Corp.	AM	10⅜	+ 2½
McCarthy Co.—d	PC	3⅛	− 1⅛
McKeon Const.—d	AM	2½	½
H. Miller & Sons	AM	9½	− ½
Mitchell Energy & Dev.	AM	24¼	− ¼
National Environment (Sproul Homes)	OT	1¾	---
L. B. Nelson Corp.	OT	1¼	− ⅛
Oriole Homes Corp.	AM	9⅝	+ ¾
Prel. Corp.	AM	3⅛	− ⅜
Presidential Realty	AM	9⅞	+ ⅛
Presley Development	AM	4⅛	+ ⅛
Pulte Home Corp.—d	AM	2⅞	− ¼
Radice Rlty. & Const.	OT	1	---
F. D. Rich Hous. Corp.—d	OT	⅞	+ ⅛
Robino-Ladd Co.	AM	4⅝	− ½
Rossmoor Corp.	AM	4⅞	− ½
•Ryan Homes	AM	14½	+ 1½
Ryland Group	OT	6	---
•Shapell Industries	NY	12¼	+ 2¼
Shelter Corp. of America	OT	⅞	+ ⅜
Standard Pacific	AM	2¼	+ ½
Universal House & Dev.—d	PC	1⅜	− ⅛
•U.S. Home Corp.	NY	6¾	+ 1
Valley Forge Corp.	OT	1½	− ½
Washington Homes	OT	1⅝	---
Del. E. Webb	NY	4¾	+ ⅜
Western Orbis	AM	11/16	− .06
Westchester Corp.	OT	1¾	---
SAVINGS & LOAN ASSNS.			
American Fin. Corp.	OT	12⅞	− ¾
Calif. Fin.	NY	3¾	− ½
Empire Fin.	AM	8⅛	+ ½
•Far West Fin.	NY	11	+ 1⅜
Fin. Corp. of Santa Barb.	AM	11¾	+ ⅜
•Fin. Fed.	NY	14⅛	+ 1⅛
•First Charter Fin.	NY	16	+ 1½
First Lincoln Fin.	OT	3⅛	+ ⅜
First S&L Shares	AM	14¾	+ ¾
First Surety	OT	3¾	+ ¾
First West Fin.	OT	2¼	+ ⅜
Gibraltar Fin.	NY	16	+ 1¼
Golden West Fin.	NY	15	+ 1½
•Great West Fin.	NY	22½	+ 2⅛
Hawthorne Fin.	OT	7⅛	− ¼
•Imperial Corp.	NY	11¾	+ 1¼
Trans World Fin.	NY	8	− ⅜
Union Fin.—d	AM	8¾	− ½
United Fin. Cal.	NY	9¾	+ 1¾
Wesco Fin.	NY	14¾	+ 3⅛
MORTGAGING			
Charter Co.	NY	24⅞	+ 2⅜
CMI Investment Corp.	NY	25¾	+ 9⅛
•Colwell	AM	7	+ ⅜
Cont. Illinois Realty	NY	15	+ 2¼
Fed. Nat. Mtg. Assn.	NY	19⅜	---
Financial Resources Gp (Globe Mortgage)	OT	2	+ ¼
FMIC Corp. (formerly First Mtg. Ins. Co.)	OT	11⅛	+ 1⅛
•Lomas & Net. Fin.	NY	12⅛	+ 3⅜
•MGIC Inv. Corp.	NY	40⅝	+ 3¾
Midwestern Fin.	AM	9⅞	+ ⅛
Mtg. Associates	OT	10½	− ½
Palomar Fin.	AM	2⅜	− ⅛
Western Pac. Fin. Corp. (Formerly So. Cal. Mort. & Loan Corp.)	OT	1¾	− ¼
UPI Corp. (United Imp. & Inv.)	AM	2	+ ⅛
MORTGAGE INV. TRUSTS			
Alison Mtg.	NY	22½	+ 1⅜
American Century	AM	9⅜	− ¼
Arlen Property Invest.	OT	9½	− ½
Atico Mtg.	NY	14⅜	+ 1¾
Baird & Warner	OT	13½	− 1
Bank America Rlty.	OT	21⅝	− ⅝
Barnes Mtg. Inv.	OT	13	− 1
Barnett Mtg. Tr.	NY	19¾	− ⅜
Beneficial Standard Mtg.	AM	19	+ ⅛
BT Mort. Investors	NY	16¼	− ⅜
Builders Investment Gp.	NY	25¾	+ 1¾
Cameron Brown	NY	9¾	− 2⅝
Capitol Mortgage SBI	NY	17¼	− ⅝
Chase Manhattan	NY	37¾	− 1¾
CI Mortgage Group	NY	13¾	+ 1
Citizens Mtg.	AM	13⅝	+ 1⅝
Citizens & So. Rlty.	NY	26⅞	---
Cleve. Trust Rlty. Inv.	OT	14	− ½
Colwell Mtg. Trust	AM	20	+ 2
Conn. General	NY	17⅜	+ ¾
•Cont. Mtg. Investors	NY	7⅝	+ 1
Cousins Mtg. & Eq. Inv.	NY	21¼	+ ¼
Diversified Mtg. Inv.	NY	16⅜	+ 2⅜
Equitable Life	NY	21½	+ 2¾
Fidelco Growth Inv.	AM	20	− 1⅛
Fidelity Mtg.	NY	6¼	− 1⅛
First Memphis Realty	OT	17⅛	+ ⅞
•First Mtg. Investors	NY	8	− ⅝
First of Denver	AM	20⅝	+ 1⅝
First Pennsylvania	NY	13¼	− ½
Franklin Realty	AM	5¾	+ ¼
Fraser Mtg.	OT	11½	− ¼
Galbreath Mtg.	OT	9½	+ ¼
Gould Investors	AM	8⅝	− ½
Great Amer. Mtg. Inv.	NY	29½	+ 2½
Guardian Mtg.	AM	27	− ¾
Gulf Mtg. & Rlty.	AM	14½	+ ¼
Hamilton Inv.	OT	14¼	− ⅜
Heitman Mtg. Investors	AM	10⅝	+ ⅞
Hubbard R. E. Inv.	NY	19¼	+ 1⅜
ICM Realty	AM	14	− 1½
Larwin Mtg.	AM	11¾	− 2¼
Lincoln Mtg.	OT	2¾	− ¼

Company		Mar. 4 Bid/ Close	Chng. Prev. Month
Mass Mutual Mtg. & Rlty.	NY	17⅜	+ 1
Mony Mtg. Inv.	NY	7¼	+ ⅛
Mortgage Trust of Amer.	NY	9⅝	− ⅛
National Mortgage Fund	NY	10¼	---
North Amer. Mtg. Inv.	NY	20¼	+ ⅝
Northwest Mut. Life Mtg. & Rlty.	NY	24	+ 3
PNB Mtg. Rlty. Inv.	NY	16⅛	+ ⅛
Palomar Mtg. Inv.	AM	6	− 1
Penn. R. E. Inv. Tr.	AM	7¾	− 4⅜
Property Capital	AM	13	+ ½
Realty Income Tr.	AM	11¼	− 1
Republic Mtg. Inv.	NY	12¾	+ ¾
B. F. Saul, R.E.I.T.	NY	11	+ ½
Security Mtg. Investors	AM	5¼	− 1⅞
Stadium Realty Tr.	OT	3½	− ½
State Mutual SBI	NY	12⅞	+ ⅞
Sutro Mtg.	AM	8⅜	− ½
Unionamerica Mtg. & Eq.	AM	13½	+ ¾
U.S. Realty Inv.	AM	11⅝	− ¼
Wachovia Realty Inc.	NY	18⅛	+ 1⅞
Wells Fargo Mtg.	NY	17⅛	− ⅝

LAND DEVELOPERS

Company		Mar. 4 Bid/ Close	Chng. Prev. Month
All-State Properties	OT	⅝	+ ¼
American Land—d	OT	.02	---
•AMREP Corp.	NY	3¾	− ⅛
Arvida Corp.	OT	9⅝	+ 2⅛
Atlantic Imp.—d	OT	5	− ¼
Canaveral Int.	AM	1⅝	---
Cavanagh Communities	NY	2⅛	− ⅜
Crawford Corp.	OT	5	− ¼
•Deltona Corp.	NY	8¼	− ¾
Disc. Inc. of Amer.—d	OT	2	---
Evans & Mitch. Ind.	OT	2⅛	− ⅛
Fairfield Communities	OT	½	− ⅛
•Gen. Development	NY	7	+ ⅛
Getty Financial Corp.—d.	OT	2¾	---
(Don the Beachcomber)			
•Holly Corp.	AM	1⅞	− ⅛
Horizon Corp.	NY	5⅝	+ ¼
Landmark Land Co.	AM	2⅞	+ ¼
(Gulf State Land)			
Land Resources	OT	2	---
Major Realty	OT	4¾	+ ⅝
•McCulloch Oil	AM	6¾	+ 1⅛
South Rlty. Util.—d.	AM	4⅞	+ ¼

MOBILE HOMES & MODULES

Company		Mar. 4 Bid/ Close	Chng. Prev. Month
•Champion Home Bldrs.	AM	4⅝	+ ⅝
•Commodore Corp.	AM	1¾	− ⅜
Conchemco	AM	8¾	+ ¼
De Rose Industries	AM	2	− ⅛
•Fleetwood	NY	7¾	+ 2¼
Golden West—d.	OT	2⅜	---
Moamco Corp.	AM	1¾	− ⅜
(Formerly Mobil Americana)			
Mobile Home Ind.	AM	7½	+ 1
Monarch Inc.	OT	2½	− ⅛
•Redman Ind.	NY	4¼	− ¾
Rex Noreco	NY	2¼	− ⅛
•Skyline	NY	18⅝	+ 3
Town & Country	AM	2⅞	− ½
Zimmer Homes	AM	3⅞	− ⅝
Albee Homes—d	OT	⅛	---
ASM Ind.—d.	OT	.02	+ .01
(Formerly AABCO)			
Brigadier Ind.	OT	2	− ½
Environmental Commun.	OT	1⅝	+ ⅛
Hodgson House	OT	1⅜	+ ⅜
Liberty Homes	OT	1⅞	− ¼
Lindal Cedar Homes	OT	2¾	+ ¼
Modular Dynamics—d	OT	.03	---
Nationwide Homes	AM	6⅜	+ ⅜
Shelter Resources	AM	3⅜	+ ¼
Swift Industries	OT	¼	---

DIVERSIFIED COMPANIES

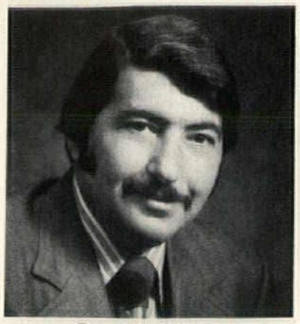
Company		Mar. 4 Bid/ Close	Chng. Prev. Month
Amer. Cyanamid	NY	23	+ 2⅜
Amer. Standard	NY	13¾	+ 1
Arlen Realty & Develop	NY	3¾	− ⅛
AVCO Corp.	NY	7½	+ ⅛
Bethlehem Steel	NY	35	+ 2½
Boise Cascade	NY	17	+ 1⅜
Building & Land Tech.	OT	3¼	− ¾
CNA Financial (Larwin)	NY	9	+ ⅛
Castle & Cooke	NY	16⅛	− ¼
(Oceanic Prop.)			
CBS (Klingbeil)	NY	31⅝	+ 2⅛
Champion Int. Corp.	NY	19½	+ 2¼
(U.S. Plywood-Champion)			
Christiana Securities	OT	153	+ 4
Citizens Financial	AM	3⅛	− ⅞
City Investing	NY	10⅝	+ ⅝
(Sterling Forest)			
Corning Glass	NY	81½	+ 7½
Cousins Properties	OT	14¼	− 2½
Davos Inc.	OT	⅝	+ ⅛
Dreyfus Corp.	NY	8½	+ ⅜
(Bert Smokler)			
Environmental Systems	OT	⅝	---
Evans Products	NY	12	+ 1¼
Ferro Corp.	NY	18¾	+ 2⅛
First Gen. Resources	OT	¼	---
First Rlty. Inv. Corp.	AM	4⅛	+ ¼
Fishback & Moore	NY	43¼	− 7¾
Forest City Ent.	AM	7⅞	+ 2
Flagg Industries	AM	3¼	+ ¾
Frank Paxton Corp.	OT	8½	− ¼
(Builders Assistance Corp.)			

Company		Mar. 4 Bid/ Close	Chng. Prev. Month
Fruehauf Corp.	NY	25	+ 2¼
Fuqua Corp.	NY	8⅝	+ ⅜
Georgia Pacific	NY	41⅞	+ 4¾
Glassrock Products	AM	2¾	---
Great Southwest Corp.—d	OT	⅛	− ½
Gulf Oil (Gulf Reston)	NY	22¼	− 1⅛
INA Corp. (M. J. Brock)	NY	36⅞	+ ¾
Inland Steel (Scholz)	NY	30¼	+ ¼
International Basic Econ.	OT	2⅜	− ¼
International Paper	NY	48½	− 1¼
Inter. Tel. & Tel.	NY	27¼	+ ¼
Investors Funding	AM	2⅞	− ⅝
Killearn Properties	AM	2⅝	− ⅜
Leroy Corp.	OT	3⅛	+ ¼
Ludlow Corp.	NY	11¼	+ 2⅛
Monogram Industries	NY	5	− ¼
Monumental Corp.	OT	13¾	− 1¾
(Jos. Meyerhoff Org.)			
Mountain States Fin. Corp.	OT	5¼	---
National Homes	NY	4⅛	+ ⅜
NEI Corp.	OT	2⅜	+ ⅛
Occidental Petroleum	NY	10½	− ⅝
(Occ. Pet. Land & Dev.)			
Pacific Coast Prop.	AM	1⅛	− ¼
Perini Corp.	AM	6¼	---
Philip Morris	NY	106⅛	− 5⅛
Pope & Talbot	NY	20⅞	+ 1¾
Prosher Corp.—d	OT	1	---
Republic Housing Corp.	AM	3¼	− ¾
Rouse Co.	OT	5½	− ¼
Santa Anita Consol.	OT	11¾	+ ½
(Robt. H. Grant Corp.)			
Shareholders Capital	OT	7/16	− ⅛
(Shareholders R.E. Group)			
Tenneco Inc.	NY	22⅛	− 1⅜
(Tenneco Realty)			
Time Inc.	NY	36½	+ ⅞
(Temple Industries)			
Tishman Realty	OT	16¼	− 1
Titan Group Inc.	OT	¾	---
UGI Corp.	NY	14⅞	− ¾
Uris Bldg.	NY	12½	− ¾
Weil-McLain	NY	8⅛	+ ⅝
Westinghouse	NY	24	+ 1
(Coral Ridge Prop.)			
Weyerhaeuser	NY	39	+ ⅞
(Weyer. Real Est. Co.)			
Whittaker (Vector Corp.)	NY	2⅝	− ⅛
Wickes Corp.	NY	14⅜	+ ¼

SUPPLIERS

Company		Mar. 4 Bid/ Close	Chng. Prev. Month
Armstrong Cork	NY	30½	+ 4
Automated Bldg. Comp.	AM	4¾	− 1
Bird & Son	OT	23½	---
Black & Decker—x	NY	37⅜	+ 3¾
Carrier Corp.	NY	16	+ 1¼
Certain-teed	NY	18	+ 2
Crane	NY	19⅛	+ ½
Dexter	NY	14¾	+ 3¼
Dover Corp.	NY	36⅝	+ ¾
Emerson Electric	NY	38	− 5
Emhart Corp.	NY	21⅜	+ 1¼
Fedders	NY	12	− ¾
Flintkote	NY	18	+ 1
GAF Corp.	NY	10¼	− ⅛
General Electric	NY	56⅛	− 3
Goodrich	NY	16⅞	− ⅜
Hercules	NY	33	− 1
Hobart Manufacturing	NY	22½	+ ⅞
Int. Harvester	NY	27⅜	+ 1½
Johns Manville	NY	19¼	+ 1⅜
Kaiser Aluminum	NY	23½	+ 2½
Keene Corp.	NY	3½	− ½
Leigh Products	AM	6¼	+ ⅜
Masco Corp.	NY	41½	− 2¼
Masonite Corp.	NY	39¼	+ 1
Maytag	NY	26⅝	+ 1⅞
National Gypsum	NY	13⅛	+ ¼
Norris Industries	NY	19¼	− 2⅛
Overhead Door	NY	12½	+ ⅞
Owens Corning Fibrgl.	NY	48	+ 7¼
Potlatch Corp.	NY	29½	---
PPG Industries	NY	26	---
Reynolds Metals	NY	22	+ ¼
Rohm & Haas	NY	85½	+ 7
Ronson	NY	8⅜	+ ⅛
Roper Corp.	NY	15½	+ 1⅛
St. Regis Paper	NY	30¼	---
Scovill Mfg.	NY	14½	---
Sherwin Williams	NY	36¼	+ 1⅜
Skil Corp.	NY	14⅞	− 1⅝
Slater Electric	OT	7¾	+ 1¼
Stanley Works	NY	26½	− 3⅛
Tappan	NY	7⅞	− ⅜
Thomas Industries	NY	9⅛	+ 1
Triangle Pacific	NY	12⅞	+ 1⅛
U.S. Gypsum	NY	21¼	− ⅛
U.S. Steel	NY	44⅜	+ 4⅞
Wallace Murray	NY	10	− ½
Jim Walter	NY	22⅝	+ 3⅞
Whirlpool Corp.	NY	25⅝	+ 1½

AM—closing price American Stock Exchange. NY—New York Stock Exchange. OT—over-the-counter bid price. PC—Pacific Coast Exchange. TR—Toronto Stock Exchange. a—stock newly added to table. d—not traded on date quoted. x—adjusted for 3 for 1 stock split. •—Computed in HOUSE & HOME's 25-stock value index. Source: Standard & Poor's, New York City.



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Expansion-minded president

Spring crop of new senior officers sprouts in the building industry

Two new presidents are among the building industry executives on the way up these days.

One of them is **O. Alvin Thomas Jr.,** now in the top spot at Scholz Homes in Toledo, Ohio. Thomas joined in 1971 as vice president and general sales manager. Scholz is the prefab subsidiary of Inland Steel.

Another is **Thomas W. Lapwing,** the new president of Phipps-Harrington Corp., an Atlanta-based mortgage banker and subsidiary of Phipps Land Co. of the same city. Lapwing intends to expand his company's business in the Southeast, with emphasis on interim loans. The company had $219 million in servicing in the *American Banker's* 1973 ranking of the nation's mortgage companies.

Gulfstream Land & Development Corp. of Fort Lauderdale, Fla. names a new vice president, **Robert J. Polkinghorn,** who takes over corporate communications.

Floyd B. Milne moves up to senior vice president of Hallcraft Homes in Phoenix, Ariz. and retains the post of national marketing director. He has been with the company since 1962 and a vice president since 1967.

Meanwhile, back in Florida, **Irwin M. Adler** joins Miami's Carol Housing Corp. as an executive vice president and president of a new housing division. Adler has been a senior executive at such prestigious outfits as the Larwin Group and Levitt and Sons. As head of his own company for ten years, he developed 3,000 units of housing along south Florida's Gold Coast as well as various commercial and institutional properties.

There has also been some upward movement recently in the housing and real estate divisions of major corporations.

The real estate subsidiary of Occidental Petroleum Corp., for instance, names **Jim D. Johnson** as new president and chief operating officer to replace **R. C. Hadley,** who resigned. Johnson comes to Occidental from a post overseeing land development and agricultural operations for National Bulk Carriers Inc.

W. R. Grace & Co. brings in **William T. Nolan** as senior vice president, marketing, of W. R. Grace Properties, the community development arm. Nolan was previously v.p.-marketing for Gates Land Co. of Colorado Springs.

Inland Steel makes a lateral shift. **Paul H. Upchurch,** formerly vice president of Inland's Urban Development Corp., moves to vice president of Inland Steel Development Corp.

Mortgage Guaranty Insurance Corp. of Milwaukee announces a departure. Executive Vice President **David S. Engelman** leaves to pursue personal business interests. He remains on the board of directors.

Barnett Winston Mortgage Co. of Jacksonville, Fla. doubles its branch-office network by adding Atlanta, Dallas, Chicago and San Francisco. New branch managers and vice presidents: **Bill W. Shoptaw,** Atlanta; **Richard P. Pohly,** Dallas; **Charles M. Bergren,** Chicago; **M. Newton Yaeger,** San Francisco.

CORRECTION

The February issue of HOUSE & HOME incorrectly described J. D. Sawyer as the new president of the National Association of Realtors. In fact, he is the past president, and is succeeded by Joseph B. Doherty of Andover, Mass. who served as first vice president last year.

Landlords win the right to trials by jury in racial-bias damage suits

The Supreme Court has just ruled unanimously that landlords can insist on jury trials if they resist damage claims from would-be tenants who say they were turned away because of race bias.*

The plaintiffs have the same right, the justices decided.

The decision settles confusion arising from Title VIII of the 1968 Civil Rights Act, which assists those excluded by racial bias from housing they want.

The victims can get court injunctions giving them possession and allowing them to collect money for their out-of-pocket losses and to punish discriminators.

Case history. Two U.S. district courts—in Wisconsin and Virginia—said the law did not provide for jury trials, reflecting worry in Congress that juries, often drawn from partially segregated neighborhoods themselves, would be reluctant to enforce antibias laws. Two other district courts—in Nevada and North Dakota—said jury trials were required if either party asked for one. The civil rights division of the Justice Dept. and the National Committee against Discrimination in Housing opposed jury trials.

Justice Thurgood Marshall said that there are plausible arguments on both sides in interpreting the 1968 law but that, regardless of what Congress meant, the seventh amendment guarantees a jury trial in federal courts if more than $20 is at stake. No statute can countermand that, Marshall held.

Landlord's duty. Marshall also said the 1968 law imposed legal duty on landlords, and he said any controversy over whether or not that duty was properly performed is to be tried like any other damage action. That means that a Milwaukee judge's $250 punitive damage award against apartment owner Leroy Loether and Associates is dismissed and the landlords are entitled to a new trial—by jury.

Later this spring the justices will rule on another aspect of jury trials in landlord-tenant controversies: whether the seventh amendment gives a tenant the right to demand such a trial in an eviction proceeding.

—DAN MOSKOWITZ
McGraw-Hill World News,
Washington

*Curtis vs. Loether, 72-1035.

Udall's land-use bill bites the dust

At the 11th hour President Nixon switched his position on the land-use bill that he had earlier given his "highest priority"—and so the House Rules Committee voted 9-to-4 to keep the Interior Committee bill from a floor vote.

That action probably kills the bill, although Representative Morris K. Udall (D., Ariz.), its chief sponsor, said he would try to revive it.

One who joined the coalition of conservative Democrats and Republicans to "postpone indefinitely" a House vote was the liberal chairman of the Rules Committee, Representative Ray J. Madden (D., Ind.), a congressman heavily supported by labor. Some members said his vote and others may have been swayed by the lobbying of the building trades unions. They contended that the land bill would cost them jobs by slowing construction.

President Nixon's unexpected turnabout was signalled when the House minority leader, John J. Rhodes (R., Ariz.), told the Rules Committee the Administration now favors a substitute bill sponsored by Representative Sam Steiger (R., Ariz.), one of the leading House opponents of the Udall measure. Steiger contended that the President didn't really understand the Udall Bill.

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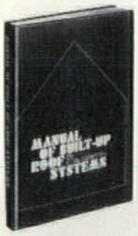

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By J. Douglas Wilson. The second edition of this standard guide to how-to-do-it house construction contains new material on power hand tools, a new chapter on reading house plans, a new section on basements, and a complete updating of lumber standards. Ample illustrations show each type of layout and construction job.

416 pages, illustrated, $9.95

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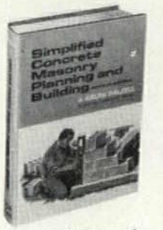

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Got a land coverage problem? Try large townhouses instead of small apartments

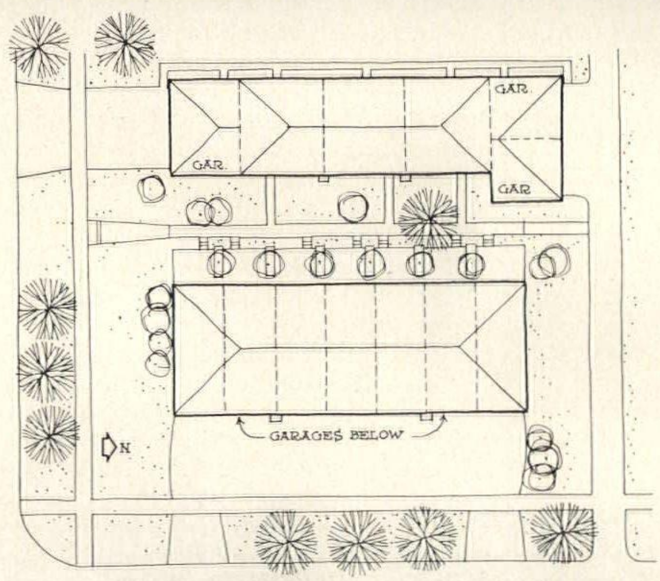
The site of this ten-unit condominium project had everything going for it except size—a mere 144′ x 151′. It's located in an area of high-priced homes and apartments; it's only one block from the central shopping area of Highland Park, Ill.; and it's close to the town's beach and yacht club on Lake Michigan.

Zoning would have permitted a single ten-unit apartment building, but allowable land coverage was limited. And marketing data developed a buyer profile of single-family home owners who would require large units.

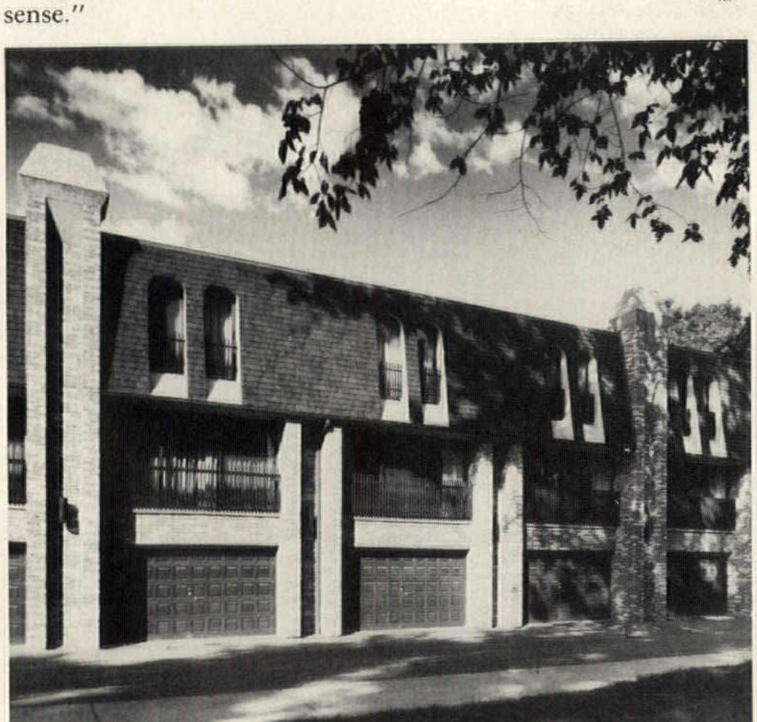
So rather than waste buildable space on the non-living areas of an apartment building—lobby, common halls, maintenance rooms and elevator shaft—the Warren Allen Development Co. decided to build ten townhouses around a central entry court. In doing so, they reaped an additional marketing bonus: Since there are few common areas, maintenance assessments are extremely low—$22 per month mainly for snow removal and lawn care.

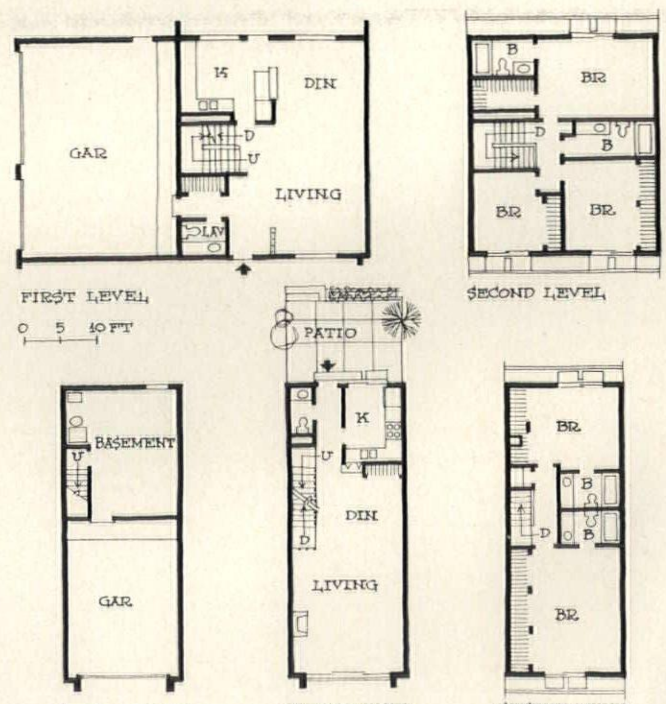
The project was built in two stages and sold out immediately—mostly to professional people. Says architect Warren Allabastro of Anderson-Allabastro & Associates: "From a construction aspect, it would have been simpler to do a single building. But from a marketing viewpoint, it didn't make sense."

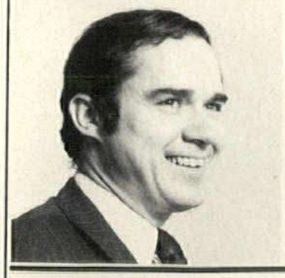
PHOTOS: FRANK MERRILL PHOTOGRAPHY



Two townhouse plans were designed so the units would conform to the slope of the site. Garages for one plan *(photo, bottom)* are tucked beneath a row of seven townhouses; garages for the other plan *(photo, top)* are located at both ends of the three-townhouse row *(see site plan)*. Brick exteriors and asphalt-shingled mansard roofs keep exterior maintenance problems at a minimum. The three-bedroom layouts *(plan immediately below)* contain 1,750 sq. ft. and sold for $58,000. The two-bedroom, 1,350-sq.-ft. units *(bottom plan)* sold for $45,000.







"I see changes coming that will give the condominium builder as broad an access to the credit market, and on terms approximately as favorable, as the detached-house builder has"

It is a paradox of the housing industry that the fastest growing product is the one that has been most vulnerable in the credit market.

I mean condominiums.

Their strong recent growth has not spared them second-best treatment in financing.

They are temporarily overbuilt in a number of local markets, and unfavorable financing contributed heavily to that.

That is starting to change. The market for condo loans is broadening. Some national and local lenders and some mortgage bankers are staking bold commitments on the future of the condo market. And, down the road, I see institutional changes coming that will ultimately give the condominium builder as broad an access to the credit market, and on terms approximately as favorable, as the detached-home builder has.

This may come to pass in as little as a year.

House-builder favoritism. Recent history has been hard on the condo builder.

When money ran low last fall, lenders in most areas—even those with long experience in condominium lending—favored their homebuilder customers at the expense of condominium developers. This was true even when house and condominium builder were the same individual. In many cases, condos were cut off completely while commitments were still being issued for detached homes.

Condos are still anathema to many lenders in the Northeast and parts of the Midwest, where they're still little known. Until recently, FNMA would not consider buying a condo loan. (The FNMA market has not yet opened, but the attitude has. The agency has been circulating a draft condo-loan program for comment.)

Higher interest. Typically, the condo developer pays more for his construction financing than the homebuilder, is required more often to have a takeout as a condition of the construction loan and pays more for his takeout or standby.

Those horror stories you heard last fall—about builders who came on the market without takeouts or with commitments that couldn't be disbursed on schedule, and who were forced to rent their units or take purchase-money mortgages or offer discounts for cash—nearly all came from condo builders. In markets with low usury-rate ceilings, some such embarrassment persists.

Or consider the buyer. Under the best of circumstances, he has paid a quarter to half a percentage point more for his mortgage than a comparable house buyer. Last fall the difference in many localities increased another quarter point. This meant some condo purchasers were being asked to pay up to 10% for high-ratio loans. That rate would kill virtually any blue-collar sale.

Tomorrow's market. Given these handicaps, the growth record of condominiums is even more surprising. Imagine how well condos would have sold if their financing cost had been equal to detached homes!

All this would be merely an interesting anomaly if condominiums were a passing fad, a self-limiting trend. But they're not. So astute an observer as James C. Downs of Real Estate Research Corp. in Chicago has predicted that condos will make up the majority of all new housing in a few years. That's an opinion my colleagues and I share, and so do many other housing observers.

Condos will command this kind of growth not just because they suit the life style and need for ownership of millions of households—but even more because they fit the changing economics of building.

Condos got off to a head start in Florida and in the Washington, D.C. area because the soaring costs of land and construction were outstripping the rents that could be obtained. Developers were finding that the only way they could make a profit was to build for sale, not rent.

Popularity. Even today—when there is talk of condo over-building in Florida, when condo end loans are scarce in Washington and the rental market in these areas is tight—the new-apartment mix in those markets remains about 75% condos. This may be true because it is easier to pass on cost increases in condo prices than in rents.

The cost trend that was once unique in these hot markets is now general.

In the smaller cities and in the less populous states, it is still possible to obtain a rent for a middle-range apartment that will justify the costs of building it. That is becoming harder and harder in the larger markets. Hence, the condo inroads.

In most of the condo deals we are familiar with, the buyers have been typical apartment households—empty nesters, some childless couples, a few singles. But we're beginning to hear more about condo conquests from the detached home market—families with young children.

This history documents one of the serious gaps in the housing industry—between the continuing growth trend of condominiums and the constraints on their financing.

Easier financing. The good news is that progress is being made in bridging this gap and more progress will be made.

First, the life insurance companies and savings banks, the major props of the rental apartment market, will eventually become condo loan buyers in the secondary market. They are considering this because yields on condo permanent loans now compare favorably with yields on rental loans. Some companies got their feet wet in condo lending during the takeout crisis in Florida last fall.

Second, the condo secondary market is about to be augmented by the entrance of FNMA. There is uncertainty about how soon the program will be available, but the direction of change is unmistakable.

Third, a number of lenders, mostly mortgage bankers, are now offering both construction and end-loan financing so that a condo developer can deal with a single source.

Fourth, a few companies are now warehousing end loans, issuing commitments for eventual resale on the secondary market. In the thin secondary market for condos that prevailed into early 1974, there was a risk that some of these loans might be in the warehouse for a year or more. But the eventual size of the market justified such pioneering.

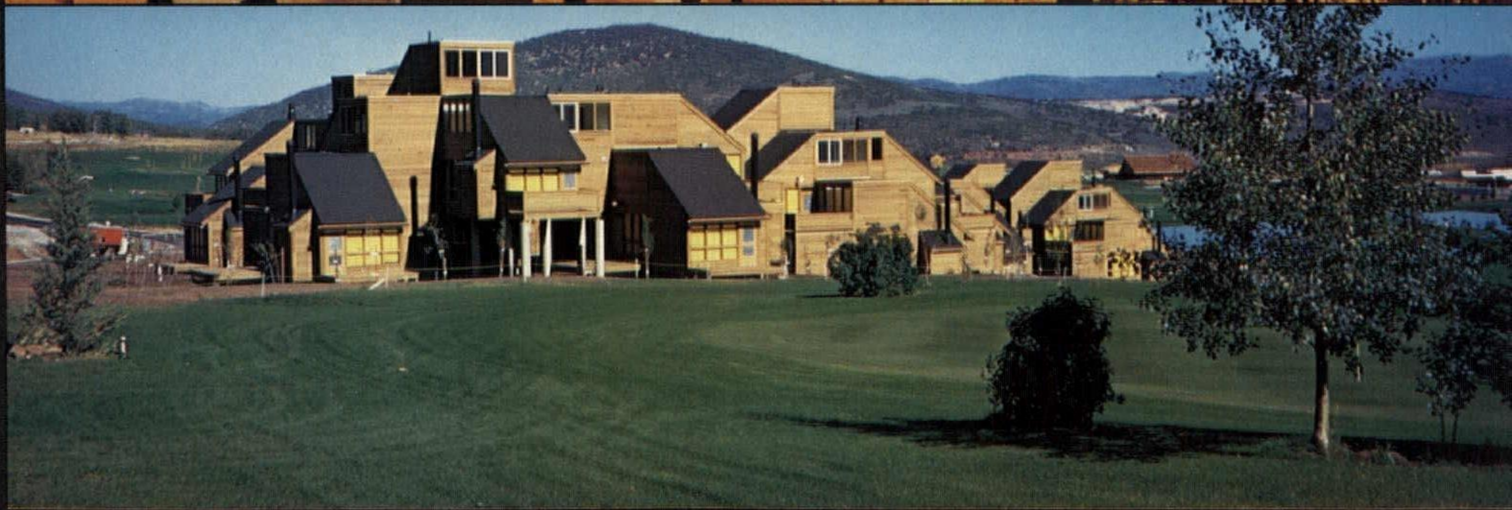
A mortgage security. Finally, and this will solve the condo end-loan problem: We are going to see the development of a condo mortgage-backed security, with saleability and liquidity comparable to the GNMA mortgage-backed note. There are legal, technical and, above all, financial problems to be solved, but this security is coming.

Guidelines for condo loans acceptable in today's secondary market vary somewhat from lender to lender.

Some institutional investors have standards on such factors as project location and design, developer control of utilities, rec leases and extended developer control of management, among others.

In our case, there are just four basic requirements for warehousable loans (in addition to sound credit and a sensible loan to value ratio): At least 50% of the units recently completed and under construction have been sold. Only one unit to a purchaser. Condos must be purchased for a principal residence, not a second home. Common elements must be substantially completed, with adequate escrow funds to insure the ultimate completion.

ROBERT J. MYLOD, EXECUTIVE VICE PRESIDENT, ADVANCE MORTGAGE CORP., DETROIT, MICH.

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Cuts costly call-backs.
Buyers won't complain about sticking or binding. Perma-Shield Windows fit snug—yet operate with ease, because they're made of strong, stable wood and protected with a thick vinyl sheath.
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Surveys show that home buyers are more aware of Andersen Windows (by an 8 to 1 margin). So this label adds sales appeal and value to a home.
No exterior painting.
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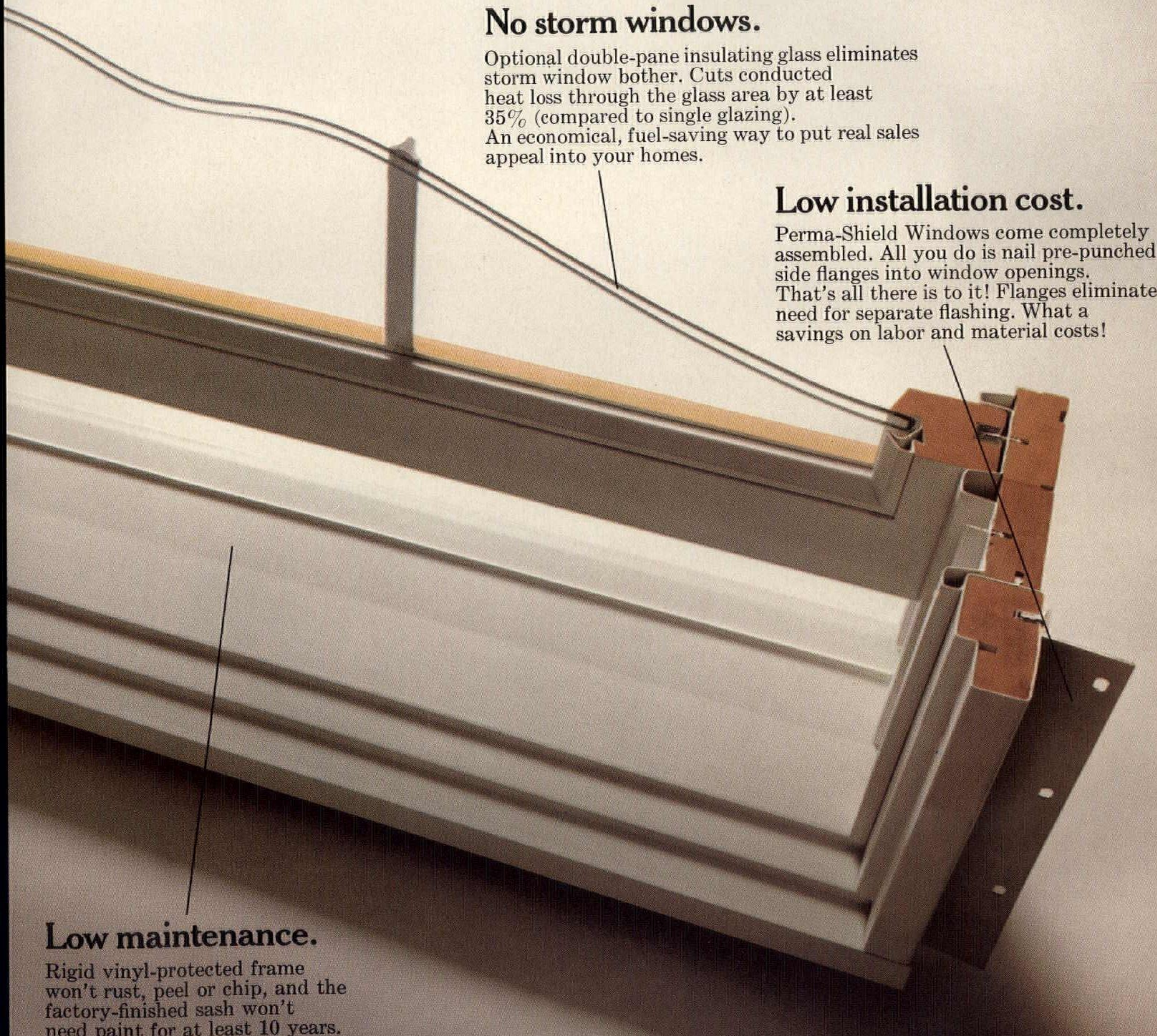

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Optional double-pane insulating glass eliminates storm window bother. Cuts conducted heat loss through the glass area by at least 35% (compared to single glazing). An economical, fuel-saving way to put real sales appeal into your homes.

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Rigid vinyl-protected frame won't rust, peel or chip, and the factory-finished sash won't need paint for at least 10 years. Saves money for homeowners. Saves on your investment, too, when these added features can help you sell your homes faster.

CIRCLE 63 ON READER SERVICE CARD

"You'll get more mileage from your decorated model complex if your sales office also is designed to reflect the project's overall mood"

No matter how well your model homes are merchandised, if they are not supported by a strong, strategically designed and situated sales office, you will never get the maximum impact from your model home complex.

This holds true whether you're marketing condominiums, rental units or attached townhouses, and even more so when you're selling detached single-family homes.

The sales office is more than a focal point for arriving and departing prospects. It's your principal environment for eyeball-to-eyeball selling—usually the only place where the prospect gets the personalized attention that will convert him from a looker to a buyer or renter. In other words, your sales office is where you capture the prospect who has been subconsciously aroused by your model interiors, exterior design and project location.

Therefore, the sales office should never be psychologically or emotionally divorced from your model presentation. There should be a strong sense of continuity in theme, warmth and even in furnishings. For that reason, your interior designer's thinking and experience should be woven into this very important locale.

The beginnings. In the housing industry's formative postwar years, many builders took a bare-bones approach to their sales offices. They put two or three salesmens' desks in one model-home garage, threw up some inexpensive paneling and gave little or no thought to the traffic flow of prospective buyers or to relating the decorated models to the sales area.

While the garage concept is still used by many developers, it is in a much-expanded form. Part of the area is devoted to displays or renderings of the units and the development's topography; the remainder of the area is reserved for private conversations.

Since the early 1960s, however, garage and mobile (on-site trailers) sales offices have been giving way to sales offices not attached to the model homes. Or, in the case of multi-family projects, to a converted unit situated at the entrance of the furnished models.

(In the latter case, of course, the office may have to be reconstructed several times as a development enters new phases. This is particularly true for highrise condos or rental buildings; you're selling view, and the office and model units should not be on the ground floor, but on middle or upper floors.)

The physical structure of the sales office is not critical, says Gary Davis, head of Charles Gary Corp., a Cerritos, Calif. firm specializing in real estate sales-office design. "More important is its physical and esthetic relationship to your total package—models, advertising, brochures, logo and graphics and directional signing."

In other words, he says, the way of life you are selling should be immediately recognizable.

Initial reaction. "It's this first impression of your model complex that's important," stresses Jack Risbrough, who heads his own Los Angeles-based marketing consulting firm.

"And, if there is warmth and an inviting feeling in your sales office, prospects will more often than not be favorably anticipating a walk through the models," he adds.

"If they leave the sales office in a receptive mood, and if they complete the model tour in the same frame of mind, you've got warm prospects," Risbrough adds.

The worst thing you can do is bring a prospect back to a gloomy sales office after he's experienced an exhilarating walk-through of your models. Again, there must be continuity—and that takes teamwork.

The builder's merchandising team, which until recently included the interior designer, architect, landscape architect and marketing director, has some new faces. One is the sales-office exhibit builder whose sole responsibility is to create the office. He is joined by the project sales director and the advertising man who develops the graphics and the sales literature.

As Gary Davis states, it is the display builder, taking input from the other team members, who must make the sales office "happen." It is his job to put the prospect at ease and in a positive frame of mind the minute he walks in the door.

The display builder is the choreographer. He must look to the decorator for advice on furniture arrangements, accessories, wallcoverings, window treatments and lighting—all key elements in the model home presentation that now become considerations in the sales office.

"For that reason," Davis contends, "the decorator must have a clear understanding of overall marketing objectives, not just a game plan for decorating the models. He or she must have empathy for the complete package."

The decorator often specifies the color scheme for the sales office. A good rule of thumb is to never repeat any of the color schemes used in the models. Use a new color scheme, but integrate it with your theme.

It is the display builder who designs the basic elements of the sales office—the "topo" table with its miniaturized view of the project and lot locations and the individual renderings or displays of each plan. But it is the decorator who coordinates the accessories such as the lighting fixture over the topo table or the leather covering for the armrests.

The display builder handles another important element: the area devoted to the builder's story. Designed to create a strong feeling of integrity and credibility, this area traces the builder's growth, describes other projects he has completed, and may also display awards or citations the builder has received. If the firm is publicly held, the significance of this and the firm's national prominence should be pointed out.

Individual offices. Other considerations are equally important. The sales manager's office or the closing office should be warm and comfortable, yet businesslike. You should avoid any disruptive elements such as loud wallpaper or a busy picture which might subconsciously direct the prospect's mind from what the salesman is saying.

Still, the selling side of the sales office should not be devoid of personality. Coffee or a cool drink should be available and offered to *solid prospects* once they're in the closing room. If the development is located in a cool climate, a log-burning fireplace will do wonders to warm up a chilled prospect.

This warmth and friendliness can be reinforced through traditional or contemporary furniture. The important thing is that the furnishings tie in with the project, and above all maintain the continuity of the theme.

A good example of a successful sales office can be found in Robert H. Grant Corporation's "Copperwood" project in the Almaden Valley area of San Jose, Calif. The project's theme, New England warmth and security, was carried out to the letter in the sales office.

In this case, a condominium model was converted into the sales office. Paneling and beamed ceilings were used throughout. The topo table, floor plans and elevation displays were housed in specially built rustic wood and leather cabinets. The rugged feeling found in the exhibit area was continued in the private offices and the reception area. The entire sales office perpetuated the charming, rural, ambience which sparked the development's name.

Summing up, it should be underscored that the most effective sales offices or selling pavilions are those that are the most subtle.

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what you'll spend, what you'll make. You save on-site labor costs also, because every home is engineered to go up fast and easy. And every home is delivered on time . . . that's another guarantee! Add it all up . . . the variety, the quality, the savings . . . for all the help you can get in a tough market. Just fill out and mail the coupon!

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massive study of 607,438 sales leads from House & Home readers confirms that sales action in housing & light construction comes from every segment of the industry

To identify all the important people in housing and light construction active in the selection of building products, materials, services and equipment, House & Home has followed up 607,438 advertising inquiries from its reader service cards and received a 33% return involving 202,697 inquiries.

Survey questions were designed to determine what, if any, "sales actions" were taken as a result of readers having seen advertisements in House & Home.

For this study, "sales actions"—that is, those actions bringing products and prospects closer to a sale—have been defined as *specifying, recommending, approving, purchasing,* and *still investigating for possible purchase.*

For each sales action, of course, the unknown multiplier is the number of residential or other units for which the sales action was taken. For example, a single *purchase* mention could involve a 10-house development, a 280-unit apartment complex, or anything in-between.

As shown in the table below, results indicate in the clearest possible manner that sales action comes from every segment of the industry and only House & Home—with its industry-wide circulation—offers advertisers all the sales action in the market.

Reader Classfication	Literature Requested by Readers Surveyed	Literature Requested by Survey Respondents	Literature Received by Survey Respondents	SALES ACTIONS TRIGGERED BY ADVERTISING						Sales Actions as % of Literature Received
				Specified Product	Recommended Product	Approved Product	Purchased Product	Still Investigating Product	Total Sales Actions	
Architects	122,265	45,358	39,561	5,720	6,641	4,039	1,077	9,782	27,259	68.9%
Builders	259,082	81,092	69,392	5,717	7,973	7,406	7,594	23,695	52,385	75.5%
Commercial	15,937	4,969	4,212	295	507	232	219	1,422	2,675	63.5%
Engineers	15,643	6,197	5,450	419	617	361	250	1,913	3,560	65.3%
Financial	11,717	4,530	3,953	210	405	284	189	1,383	2,471	62.5%
Government	12,870	5,857	5,102	313	554	372	235	1,670	3,144	61.6%
Realty	23,603	7,796	6,876	411	704	625	411	2,660	4,811	70.0%
Retailers	11,950	3,641	3,008	270	358	268	257	1,081	2,234	74.3%
Subcontractors	21,705	6,267	5,459	359	677	625	543	1,712	3,916	71.7%
Wholesalers	7,010	2,377	2,042	150	259	132	134	727	1,402	68.7%
Others not identifying self	105,656	34,613	29,960	1,947	2,849	2,103	1,359	8,995	17,253	57.6%
TOTAL	607,438	202,697	175,015	15,811	21,544	16,447	12,268	55,040	121,110	69.2%

McGraw-Hill's marketing and management publication

of housing and light construction **House&Home**

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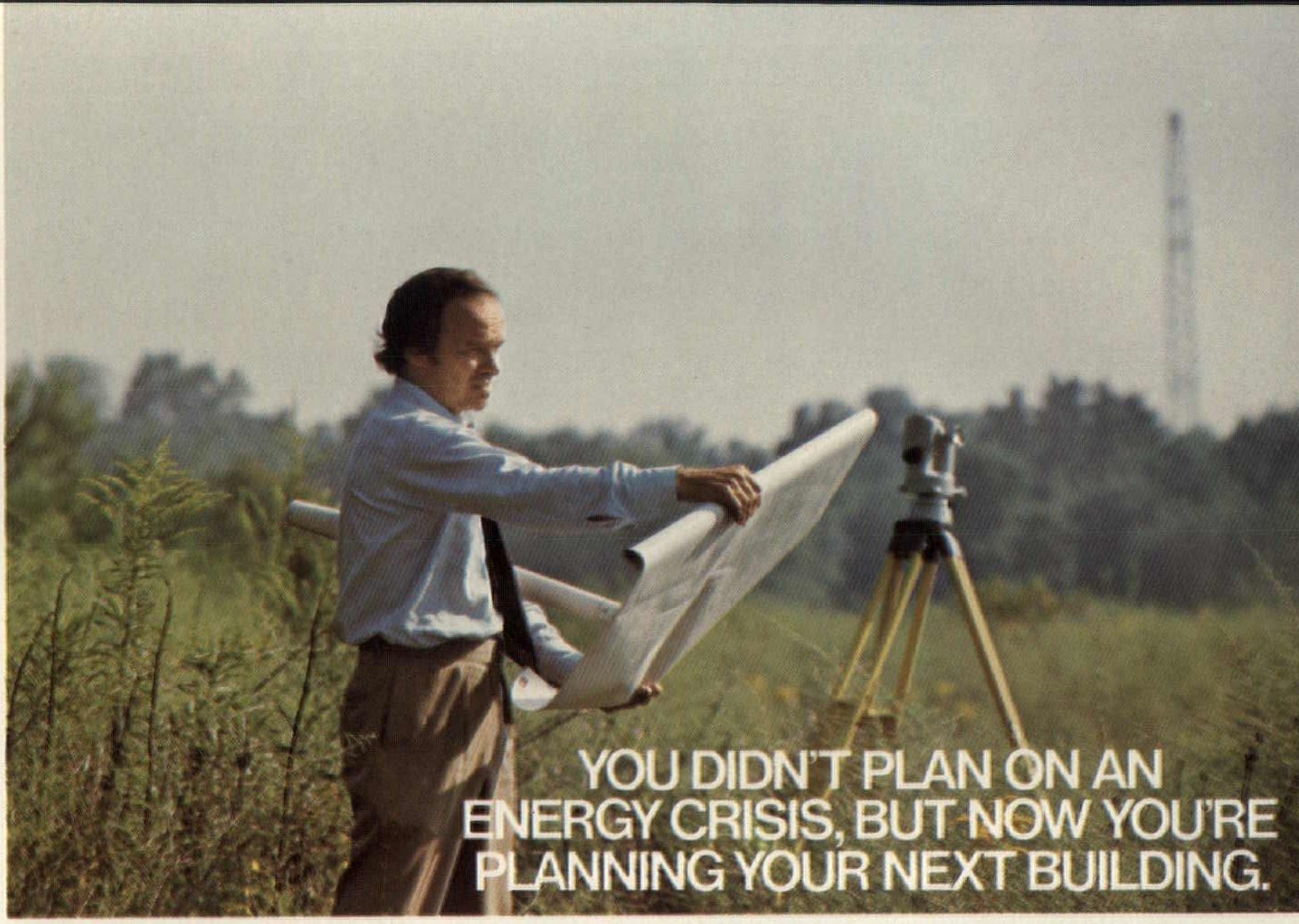


Which building material will you use?

You've got energy shortages to think about. Air-conditioning costs. Heat gain through the long, hot summers. Heat loss in the winter months. Heating equipment costs. The whole set of energy-use factors suddenly has become critically important. The building material you use affects all of them.

Compare the energy conserving capability of masonry, for instance, with double-plate glass walls.

At 4:00 P.M. on a hot August day in Washington, D.C., the heat gain through a square foot of west-facing insulated brick and concrete block wall will be 2.2 Btus an hour.

The heat gain through a double-plate glass wall in the same location will be 173 Btus a square foot in an hour. A big difference.

Project this differential over 10,000 square feet of wall. You come up with a heat gain through masonry of 22,000 Btuh, while the heat gain through double-plate glass is 1,730,000 Btuh.

In the case of the masonry wall, cooling equipment with a two-ton capacity can handle the heat gain. But with the double-plate glass wall, about 143 tons of cooling capacity will be needed.

An analysis of a typical 10-story building shows that over its useful life, the air-conditioning cost for a square foot of our masonry wall will be about 23 cents. For the double-plate glass wall, it will be $7.60.

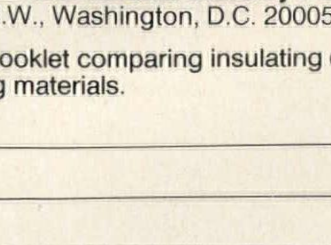
It takes a lot of money to buy, install and create space for all the extra air-conditioning equipment required by the double-plate glass wall. A lot of money and a lot of energy to run that equipment.

Compare the heat loss in winter. It has a dramatic effect on energy consumption and building operation costs.

Our masonry wall, for example, has a "U-value" of .12. The double-plate glass wall has a "U-value" of .55. (U-values are used to determine heat loss through one square foot of wall area in Btuh per degree Farenheit differential across the wall.)

This means that the masonry wall is about 450% more efficient, on the average, than the glass wall in reducing heat loss.

Over the useful life of the building, the heating cost per square foot of wall area for masonry will be about 30 cents. For double-plate glass, about $1.38.



In a time of one energy crisis after another, masonry makes eminently good sense as a good citizen.

The masonry industry believes that the thermal insulating qualities of masonry are an important economic consideration to building designers, owners and investors, and all citizens.

Masonry walls save on air-conditioning and heating costs. And just as important, they are less expensive to build. The masonry wall we've described would have a 38% lower initial cost than the double-plate glass wall.

If you'd like to find out more, write to us and we'll send you a booklet comparing the thermal insulating qualities of masonry walls with double-plate glass walls, metal panel walls and pre-cast concrete walls.

HH

International Masonry Institute

823 15th Street, N.W., Washington, D.C. 20005 / (202) 783-3908

Please send the booklet comparing insulating qualities of masonry with other building materials.

Name ____________________

Title ____________________

Company ____________________

City ____________ State ____________ Zip ____________

Nature of Business ____________________

What you should know about coastal zone legislation...and how wetlands regulations could stymie your development plans

Last December, a little over one year after Congress passed the Coastal Zone Management Act of 1972, final guidelines were issued for states to receive grants applicable to the development of state coastal zone management programs. The next step will be annual grants to coastal states for up to two-thirds of the costs of administering a state's management program.

This does not mean, however, that states are only now coming up with coastal zone legislation. Just about every coastal state, including those on the Great Lakes, has some form of legislation on the books and/or being debated. Many already have permit requirements and management commissions.

The trend is clear: Developers are going to be faced with increasingly stringent and complex coastal development regulations—along with more aware and effective citizens' groups monitoring the developers' plans and on-going performance.

What is a coastal zone? For both political and geographic reasons, even the federal Coastal Zone Management Act doesn't define the zone. Rather, it suggests that certain factors be taken into consideration—specifically that the zone extend inland "only to the extent necessary to control shorelands, the uses of which have a direct and significant impact on the coastal waters". In other words, the developer has to look closely at each state's legislation.

For example, Delaware defines the zone as "all that area of the state of Delaware . . . between the territorial limits . . . and a line formed by certain Delaware Highways and roads", whereas Oregon defines the landward boundaries by the crest of the coastal mountain range, with the exception of certain river basins where the limits are otherwise defined.

Why is so much attention being focused on the coastal zone? The principal reasons are population pressures, limited coastal land, and increasing public awareness of the fragility of the coastal zone's natural systems. As industry, commerce, and residential development put more stress on coastal areas, pressure increases for protection and public access. Where there is public pressure, environmental groups are encouraged to step up their involvement. Add to this the availability of federal funds and coastal zone management really comes into its own.

Though coastal zone legislation at the state level covers a broad variety of topics, one of specific concern to developers is that concerning wetlands—lowlands covered with shallow and sometimes temporary or intermittent waters. For years developers have been filling wetlands to create "useful land". Now many states see the preservation of wetlands as being more important than any housing that might be built on such land. The result is legislation that either prohibits the disturbance of wetlands or sets up strict permit procedures to complement the permit requirements of the Corps of Engineers.

To illustrate, North Carolina requires individuals who want to dredge or fill estuarine waters, tidelands or marshlands to obtain a permit from the Department of Conservation and Development. Similarly, Massachusetts requires public hearings and review by local authorities and certain state agencies before dredging and filling of coastal wetlands can start. Rhode Island requires a permit from the Department of Natural Resources for filling, excavating, or otherwise disturbing the ecology of a salt marsh. This list goes on and on, all of it meaning additional problems for the builder.

Why are wetlands getting so much attention? Because they perform so many important functions which, in the view of environmentalists, outweigh the advantages of development on them. Briefly, wetlands:

- Act as natural breakwaters by absorbing water from tidal surges and upland runoff
- Lessen erosion and flood damage
- Provide a place for settling and filtering silt, organic material and other pollutants from adjacent development
- Provide nutrients and a nursery area for coastal fish and shellfish
- Provide breeding and feeding grounds for waterfowl
- Offer active and passive recreation opportunities

When wetlands are dredged, drained or filled these functions are disturbed. With this in mind, environmental groups are putting more and more pressure on states to adopt and enforce strict regulatory programs to protect wetlands. For example, the Environmental Defense Fund, a national legal group, is establishing a Wetlands Monitor position in its Washington, D.C. office. The purpose: to keep an eye on wetland-related activities and recommend action where justified. Every week there are reports of a citizens' group challenging a proposed development on the grounds that it threatens wetlands. For example, legal battles are now going on over a proposed 3,200-acre project on Chinocoteague Bay, Maryland; a resort community at Bay St. Louis, east of New Orleans; and with a group of developers in New Jersey accused of illegally dredging, diking and filling wetlands. The latter case has resulted in more than three years of indecision and delay costing somebody a lot of money. And the case is dragging on.

What do the courts say? Recent court decisions have encouraged environmentalists. One Pennsylvania court required a builder who had dredged and filled in a wetland area without a permit to restore the wetland to its natual state. In Maryland the Corps of Engineers won a case when the defendant pleaded no contest to charges that he had cut canals out of marshland and used the fill to build a causeway to an island in Sinepuxent Bay. The builder was fined $2,500 and ordered to restore the marshland "to the fullest extent reasonably and practically possible".

What's the role of EPA? Environmentalists have also been encouraged by an Environmental Protection Agency Policy Statement that it will "give particular cognizance and consideration to any proposal that has the potential to damage wetlands," and by a requirement that all Corps of Engineers dredge and fill permits be reviewed by EPA, which will then make public its findings and recommend public hearings if significant environmental impacts are projected. Even the Treasury Department is getting into the act, as evidenced by the Environmental Protection Tax Act of 1973, submitted in February, 1973 by Representative Conable of New York. Though this act is buried in the House Ways and Means Committee, it proposes:

- That the depreciation deduction for property constructed in coastal wetlands be computed only by use of the straight line method
- That gain on the disposition of improvements located in coastal wetlands be treated as ordinary income to the extent of all depreciation deductions with respect to such improvements
- That certain land clearing and soil and water conservation expenditures with regard to coastal wetlands be non-deductible and be capitalized
- That no deduction for interest and taxes be allowed where it is attributable to land under development and associated improvements in coastal wetlands

So if you are considering coastal zone development, there are going to be a lot of people looking over your shoulder. If you don't do your homework, the inevitable delay—and possible complete halt—to your project is going to cost you.

WILLIAM H. MacKENZIE, COMMUNITY MANAGEMENT CORP., RESTON, VA.

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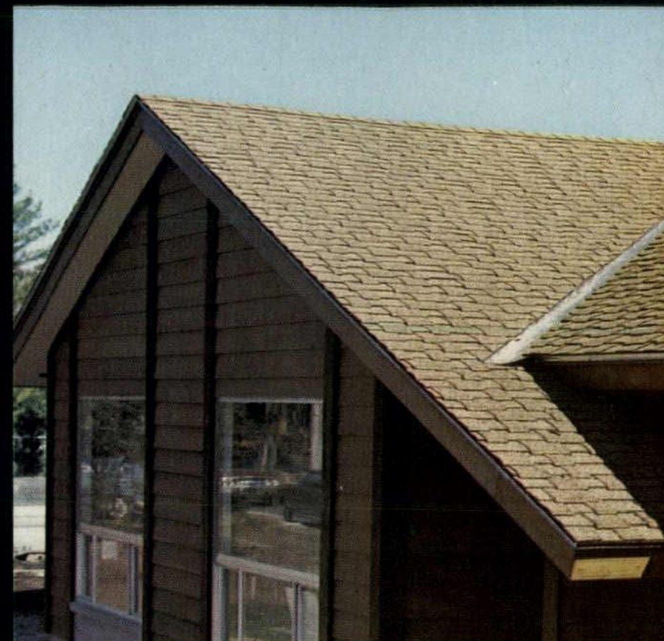
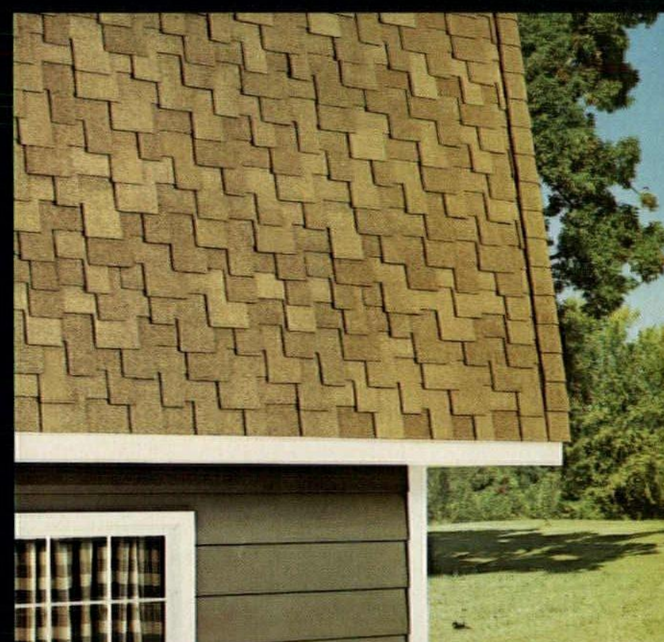
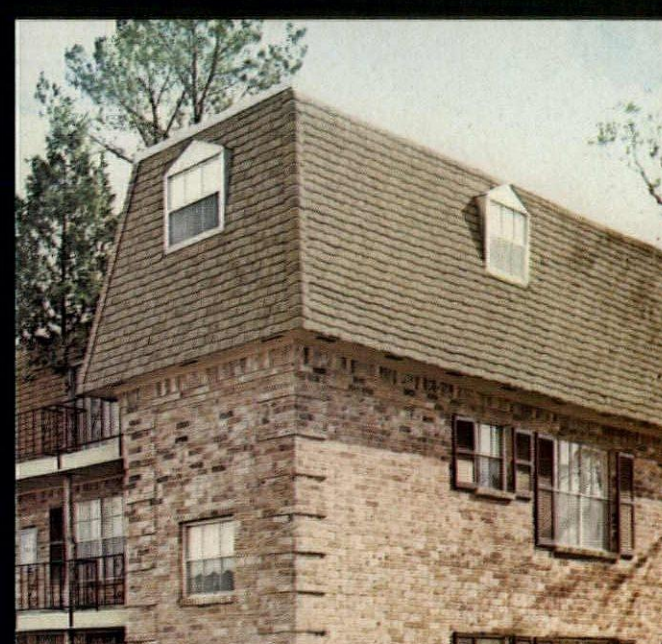






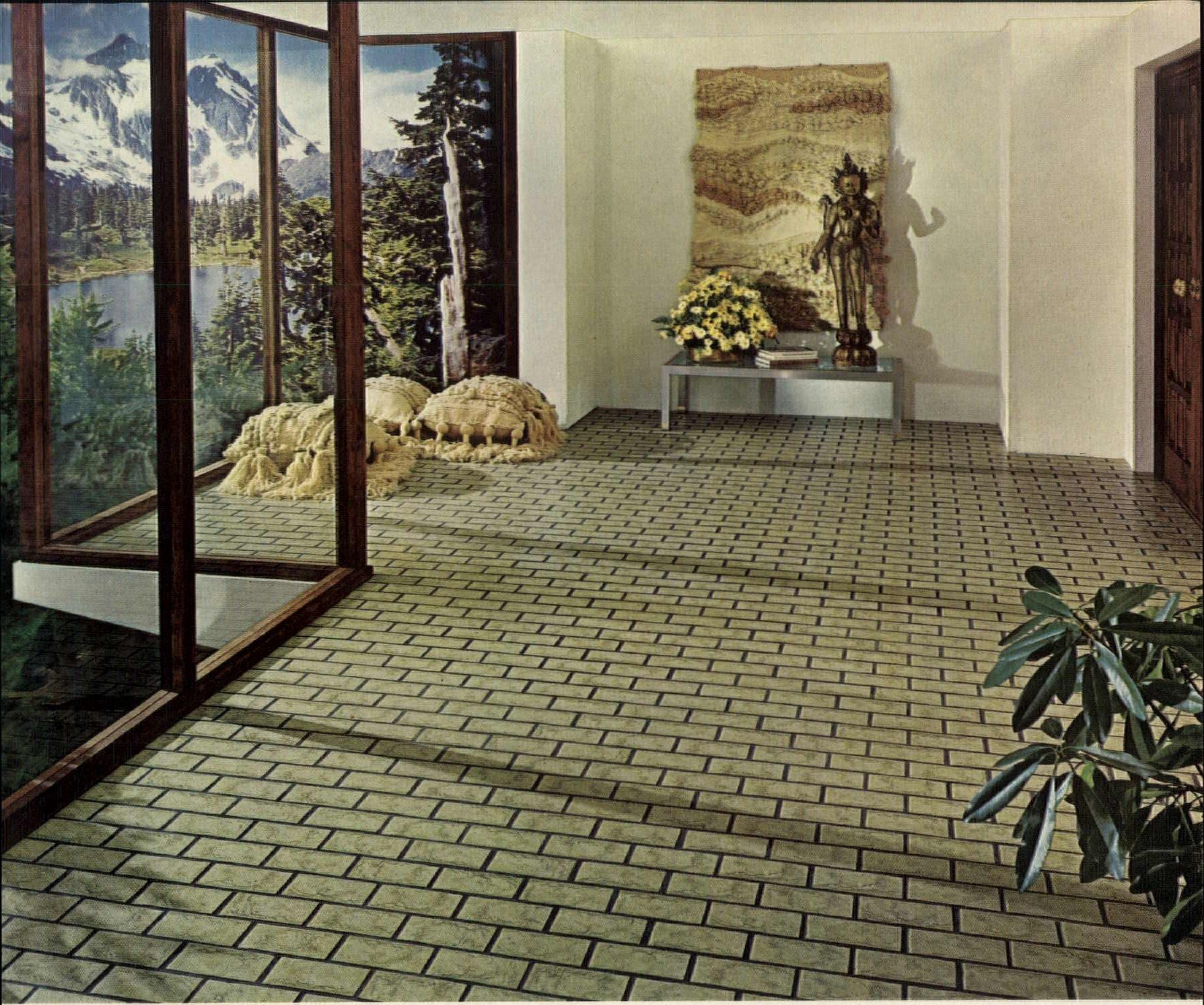


Plate No 277

Energy conversation

H&H: I was pleased to see your February section, "Energy-Wasting Mistakes". While this article appears, hopefully, not too late, it is nevertheless far too little, and I am hoping to see more information along these lines disseminated to building industry people in the future.

As you are no doubt aware, environmentalists and "counter-culture" observers of American building practices have been pointing out these mistakes for several years. Practically every detail of your article has appeared, for example, in *Mother Earth News*. But while such publications may have infinitesimal impact on professional builders, HOUSE & HOME, on the other hand, might produce staggering results in the direction of eliminating waste and the terribly haphazard and slipshod construction methods so ingrained in the industry.

Hopefully, environmentally sound construction practices are considerations now so widespread that no organ or organization of the building industry can afford to ignore them further.

WALTER W. BROWN
Contract supervisor
Elkhorn Realty Co. Inc.
Lexington, Ky.

H&H: Your February issue is well worthwhile, but I feel you could have made some valuable friends by indicating that architects are trained to provide the types of changes and suggestions you indicated to save energy. If the building industry used more architects and engineers and fewer designers, the nation would probably not be as bad off as it is today. True, architects cost more money, but if the housing industry wasn't so afraid to spend a few dollars on the front end, we'd all be better off.

FRED S. ALEXANDER III
Alexander Associates Arch.
Englewood, Colo.

Solar energy

H&H: I read with interest your recent article on solar heating [Feb. 73 page 87]. I would appreciate any leads to sources of information on the subject.

SAM DAWSON
Sam Dawson Construction
El Cajon, Calif.

In response to this and many similar inquiries here's the list—ED.

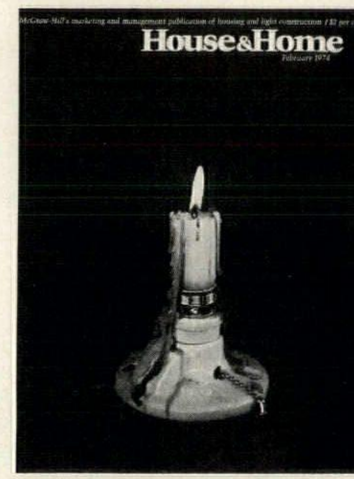
Solar Energy Research & Information Center Inc.
1001 Connecticut Ave.
Washington, D.C.

Arthur D. Little Inc.
25 Acorn Park
Cambridge, Mass.

Institute of Energy Conversion
University of Delaware
Newark, Del.

Edmund Scientific (house plans)
555 Edscorp Bldg.,
Barrington, N.J.

Everett Barber (solar panels)
Yale University School of Architecture
New Haven, Conn.



February cover

H&H: Your February cover says it all. I'd like to frame it but need a copy not subjected to the effects of bulk mailing.

RICHARD S. MANNHEIMER
Co/Data Corp.
Fullerton, Calif.

Remodeling

H&H: I enjoyed your December article, "Suburban Remodeling". This was of particular interest to me as I am a remodeling contractor.

I have been receiving HOUSE & HOME for two years and this is the first article you published on the subject during that period. Please have more of them.

JOE MAJIKE
Easthampton, Mass.

A pointed comment

H&H: Bravo! Right on, brother! Your December mortgage article [NEWS, page 4] was great—I agree. The points have got to go.

GORDON BROWNING
President
West & Browning Inc.
Dallas, Tex.

THE RENTAL MARKET

THRIVING DIVING OR JUST SURVIVING?

The answer is it's doing all three, and some other things too. And that makes it the craziest, most mixed-up rental market in homebuilding history.

HOUSE & HOME checked with builders, investors and lenders all across the country, and came up with this overall picture:

Rental demand in the low- and medium-rent ranges is very strong in most markets; hence vacancy rates are low and getting lower.

But these low vacancies don't necessarily translate into profitable operations. Most new projects around the country are either just breaking even or showing negative cash flow.

The problem is that construction costs have shot up much faster than rents. Over the next year or two inflation should push rents up enough so that new projects can move into the black, but holding on in the meantime requires either big cash infusions by the owner or great tolerance on the part of the lender.

In some parts of some markets vacancies are cataclysmically high—20% to 30%. Too often this is the result of injudicious lending, particularly by some REITs and insurance companies, on poorly located projects offering the wrong mix at too-high rentals.

An important factor has been the fuel shortage which has raised vacancies in far-out projects and lowered them on close-in projects.

But lest all of this sound too gloomy, there are some definite bright spots on the horizon.

For one thing, the cost squeeze that's holding down construction (and it's being helped by high local taxes and sewer and water moratoria in some markets) is at the same time creating a shortage of rental units that will eventually help the market.

For another, tax reform, which threatened to shut off the supply of tax-shelter syndicate money to rental housing, seems dead for this year at least. And it may stay dead for a long time thereafter.

Finally, and perhaps most significantly, the rental market shows signs of moving out of its go-go phase and onto more solid ground. Many of the builders and syndicators who survived last year's shakeout are becoming a lot more realistic about what they offer investors. Good cash-on-cash returns (8% to 9%), and partially sheltered, are being stressed over inflated returns and lots of excess depreciation. Front-end fees for syndicators have dropped to more reasonable levels. Bigger reserve funds for emergencies are being accepted. Lenders who handle the permanent take-outs are insisting that syndicates hold larger equities in their projects as a cushion against hard times.

And a lot of apartment builders and investors are making money with this kind of sound approach.

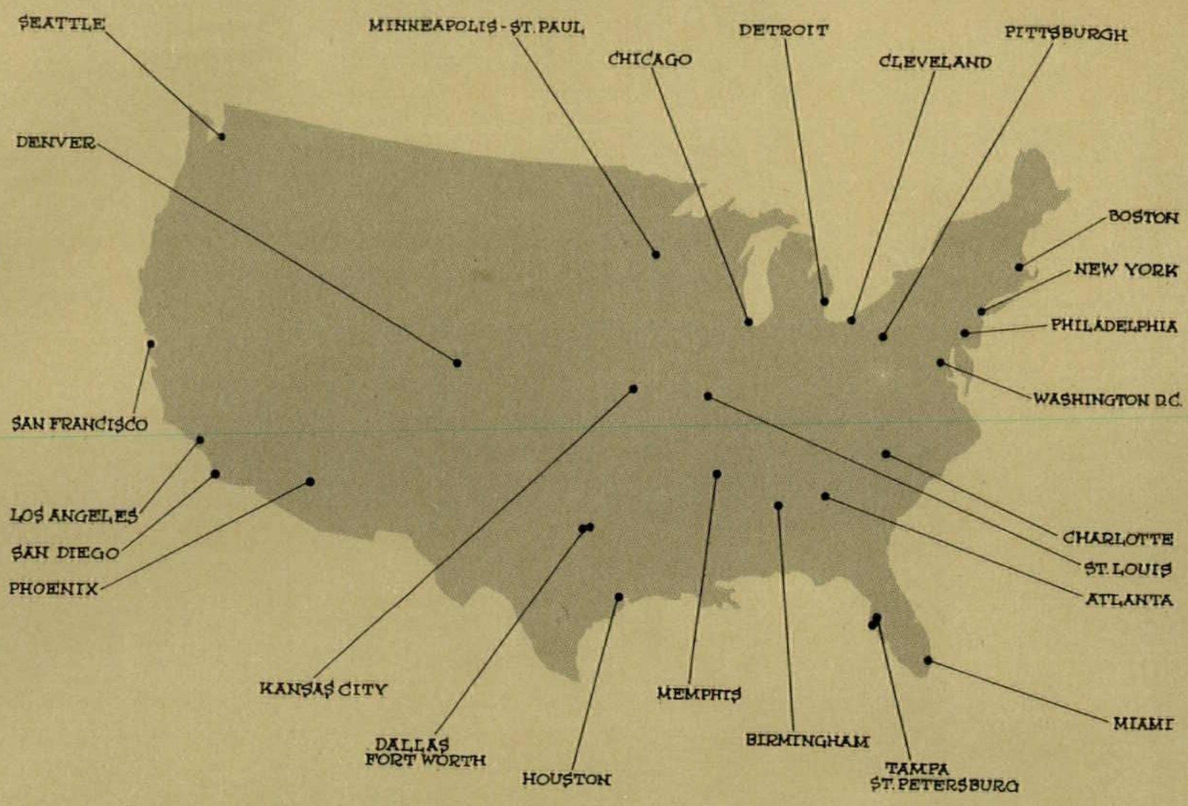
To get a realistic handle on the current rental market, HOUSE & HOME made a two-pronged survey:

First, the best available statistics on multi-family permits were checked for 25 of the key rental markets in the country. The chief sources were The F.W. Dodge Division of McGraw-Hill's Information Systems Co.; the *Commercial Construction Markets Survey,* published by Shiefman & Assoc., Detroit; and *U.S. Housing Markets,* published by Advance Mortgage Corp., a subsidiary of First National City Corp.

Second, HOUSE & HOME associate editors Natalie Gerardi and Michael Robinson talked with more than 100 builders, owners and lenders in the 25 markets, trying to get their views and experiences, both objective and subjective.

The result, shown on the following 14 pages, is a city-by-city portrait of a wild, promising, frightening and infinitely confusing rental market.

Here are the 25 key markets House & Home studied for this report



BOSTON

Boston's rental market is strong and likely to get even stronger, primarily because of lack of starts. The city itself, along with a few nearby areas such as Cambridge and Brookline, has had rent control for the past three years and this has discouraged rental starts in those areas. Otherwise it's the familiar story: high costs make rental apartments uneconomical.

"Rents are high, but they're not high enough to make it worthwhile to build a unit that's going to cost $17,000 to $19,000," says Arthur Duffy, assistant vice president of the Boston Five Cent Savings Bank, a large apartment lender. "That's why we have shied away from new apartment loans for the last year-and-a-half or two."

And Thomas Flatley, president of The Flatley Co., which built over 4,000 rental units last year, admits:

"Were it not for the fact that we need the tax shelter from apartments, we probably would not build any."

Flatley puts the problem in a nutshell:

"It's become very costly to develop rental units because of the high prime interest rate and high construction costs. Add to that the consumer's reluctance to pay the going rate for a rental unit and the general American feeling that it's better to own than to rent, even if it costs more money.

"Then look at the numbers: In this area a midrise rents for 32¢ or 33¢ a sq. ft., a garden apartment rents for 27¢ and a condominium sells for about $30. At an average of 30¢ a sq. ft. you'd have to collect rent for over eight years to get the $30 a sq. ft. you could get right away by selling rather than renting. So the developer, whose first goal is not tax shelter but earning a living, builds condominiums."

"If we didn't need tax shelter, we wouldn't build apartments"

	1972	1973
1st half	6,301	6,275
2nd half	3,214	4,476
Total	9,515	10,751

Thus, even with rental vacancies down below 5%, at least half of Boston's 10,751 apartment starts in 1973 were condominium units, and many older buildings were being converted.

Another large portion was subsidized rentals. *Commercial Construction Markets Survey* reports that subsidized units accounted for more than half of Boston's third-quarter permits.

"Two things are going to have to happen," says banker Duffy. "Construction costs are going to have to come down, which seems unlikely, and rents are going to have to go up. I think the shortage of apartments is going to increase the yields a little, but I don't think apartment development is going to be attractive in the immediate future."

The reason for this, as Duffy explains it, is that even with efficient management and a good tax break from the town, expenses will run 42% of gross income. Debt service, particularly at the higher rates, will run at least 50%. So the developer is left with 8%, assuming 100% occupancy.

"There was a time when he could mortgage out and make some money that way," says Duffy, "but banks in this area are generally unwilling to lend that much today."

Whereas in the past the bank was willing to finance 100% of a project, now, even with rates at 9% or 9½% plus perhaps one point, the most the bank will lend is $16,000 or $17,000—and this is for large units with class A construction.

Says Duffy: "Higher costs are a detriment not only because developers can't get the rents to justify them, but because most developers don't have the capital to put in over and above what banks will lend."

The Boston area has been feeling the pinch of the gasoline shortage, and there has been some unemployment in the electronics field, but this does not seem to have affected the rental market seriously. Flatley has found short-term delinquencies up about 20%—a person who might have paid on the 5th of the month now pays on the 10th—and turnover down 20%. For a while, rent-ups were slightly slower than last year but they began to pick up around mid-February.

"I think New Englanders are a little more acclimatized to the ups and downs of the economy than people in other parts of the country, so the pendulum doesn't swing quite so far," says Flatley. "Even when we were hit with high unemployment in the electronics sector, the worst we had was a 6% vacancy rate; on the other hand, the best we've had was a 2% or 3% demand factor."

Thus rentals have been strong, even in such places as Weymouth, some 20 miles south of Boston, where many had warned of overbuilding. The one soft spot seems to be Framingham, some 20 or 25 miles west of Boston on the Massachusetts Turnpike, where three large complexes have added some 2,000 units to the market too quickly for them to be absorbed.

"I predict the market will absorb them," says Duffy, "but I don't think it will happen fast enough to make the developer happy."

ATLANTA

Several years of softness in the Atlanta apartment market seem to be coming to an end. A sharp drop in apartment starts in 1973 has brought supply more in line with demand. Builders report traffic increasing and vacancy rates dropping in the past few months. Estimates on vacancies, however, still range from 12% to 15%.

Condominium units accounted for at least half of 1973's 12,844 multifamily starts—some observers estimate 80%—and already they seem to be overbuilt. HUD estimates that 4,000 condominiums are vacant, and the *Commercial Construction Markets Survey* reports that some recently completed condominiums are being rented. One reason for the condo glut is lack of financing caused by Georgia's 9% usury law. A dearth of mortgage money, together with rising land and construction costs, has softened the single-family market.

Slow sales should benefit the rental market, according to Michael Aarons, controller of Friedland Properties:

"The difference between rents in a new complex compared to an older one is not as significant as the difference in buying a single-family house or condominium this year as against two years ago."

Friedland Properties has just started building 220 garden-apartment units and is awaiting approval on another 248. At the same time, however, the company is trying to diversify out of apartments. It has bought land for a PUD and is also talking about building an office condominium.

"We've had our lean years . . . Now I'd say we're entering a prime market"

	1972	1973
1st half	10,970	8,827
2nd half	6,823	4,017
Total	17,793	12,844

Money for apartment building is expensive. Oliver Tucker, assistant vice president of the Atlanta Federal Savings and Loan Assn., says the bank "is going real slow" in apartment lending. Friedland gets its money from REITs at anywhere from 10% to 14%. It has also gone into joint ventures with equity capital partners.

Still, Hamilton Mortgage Corp., which continued lending when most other sources had dried up, is bullish about the Atlanta market right now.

"We're heading into a prime apartment market in the Atlanta area," says Royce West, Hamilton's vice president in charge of commercial lending. West admits there are still some soft spots in the southwest quadrant, but anywhere on the north side and in selected areas in the south an apartment builder's main problem is to find land. The energy crisis has not yet become a factor in determining location.

Parts of Atlanta, according to West, have already raised rents by about 10%—enough to make apartments economically feasible.

"We have just surveyed an area covering quite a number of apartment projects," he says. "All of them indicated they had increased rents, and their occupancy was running around 98%."

This healthy state of affairs does not apply everywhere, however. For example, Friedland, which builds mainly farther out on the north side of town, has not been able to raise rents significantly because the area is just coming out of a soft market. Says Controller Aarons:

"We've had several electricity rate increases in the past two years that we haven't been able to pass on and in one 388-unit complex garbage service tripled between the last quarter of 1973 and the first quarter of 1974. We can't stand much more of this."

Still Aarons, like most people in Atlanta, is optimistic. He expects his new units to rent for $265 a month for a two-bedroom apartment and $325 for a three-bedroom unit compared to approximately $175 to $210 for older units. Says Aarons:

"We're looking for a good year."

BIRMINGHAM

Birmingham is pausing to catch its breath after an influx of out-of-state builders dumped three times as many apartments onto the market as this city of 740,000 people could absorb.

"I have no idea what happened," says developer Tom Thornton. "All of a sudden a lot of people came in and apartments began coming out of the ground like mushrooms in a wet field."

Thornton expects to finish the last section of his 431-unit Willow Bend this spring.

"Then I'm just going to rent up apartments and wait until it's a good time to build again," he says, adding:

"Renting will be a real battle. It's like hand-to-hand combat these days."

Builders and lenders agree that apartments are overbuilt in Birmingham. Most of the 6,101 apartments that were started in 1972 and 2,949 that were started in 1973 were rentals. Condominiums have not yet caught on and there are only a few hundred units in all of Birmingham.

A possible reason for the sudden influx of builders is that more and more people are comparing Birmingham to the Atlanta of ten years ago. The city is becoming a big distribution center and also a big medical center. Expressways are being built and new markets opened up.

"Things are just falling into place and a lot of high-salaried people are coming in," says developer Floyd Berman. "It's not going to happen all at once, so a builder has to be careful in picking his markets."

"Renting apartments here is a battle . . . It's like hand-to-hand combat"

	1972	1973
1st half	2,843	2,322
2nd half	4,258	627
Total	7,101	2,949

Berman, who built rentals for his own account in the past, is now building condominium apartments. This does not mean he is switching, he emphasizes, but rather that condominiums were right for a particular piece of land.

C. O. Osborn, another local apartment developer whose Nob Hill is one of the most sought-after luxury buildings in the city, has also stopped building apartments. He has switched to fourplexes.

"I think builders are scared because rents aren't going up nearly as fast as building costs," says mortgage broker Fred Crabbe, of Molton, Allen and Williams, pointing to a problem that HOUSE & HOME heard repeated again and again all across the country.

Birmingham rents are now running at 20¢ to 24¢ a sq. ft. for apartments that may include such features as top-quality carpets, draperies, dishwashers and house-sized refrigerators.

"In this part of the country we put a lot of emphasis on amenities inside an apartment, at least compared to what I've seen in California," says Berman.

Thus far the energy crisis has not affected Birmingham. There has been no gas shortage, and most apartments are within a five- to ten-mile radius of downtown anyway. Desirable areas are Mountain Brook, the Eastwood Mall section and Valley Avenue, which has a two-mile stretch of nothing but apartment complexes.

"Location is the key factor in a project's success," says Crabbe. "I know of apartment projects that have waiting lists in certain parts of town."

Crabbe has money available for apartment loans, the best rate being somewhere between 8½% and 9¼% for permanent loans and 1% over prime for construction loans.

Jefferson Federal Savings & Loan, on the other hand, has not made any new apartment loans in recent months. In January, however, Jefferson started accepting new applications in anticipation of lower interest rates.

CHARLOTTE

The Charlotte rental market is a welter of contradictions.

Overall, the vacancy rate is about 11%. But some new higher-priced projects in the north and northeast quadrants are running a 25% vacancy rate after being open for two years, while other new projects in the south and southeast quadrants have less than a 6% vacancy rate.

The main problem has been overbuilding in limited areas by outside builders not familiar with the market. Says Thomas Lawing, independent appraiser and property manager and 1974 president of the North Carolina Association of Realtors:

"Local builders have said whoa. They're not going to fight that fight, they're going to stop building." As a result, the number of apartment permits has dropped markedly in the past six months, and new loans are a rarity.

High vacancy rates in a limited number of high-priced new projects are compounded by 20% to 30% rental vacancies in well-established white neighborhoods now becoming integrated or black.

"These high vacancies are only temporary," says Marshall Smith, market analyst and land planner for NCNB Mortgage Corp., owned by North Carolina National Bank's holding company. "The racial problems get solved because we don't have time to hate. We keep moving and solve our problems on the way."

"The strongest demand is for efficiency and one-bedroom units in the $150 to $200 range"

	1972	1973
1st half	2,056	1,498
2nd half	2,184	1,226
Total	4,240	2,724

Neighborhoods such as Hidden Valley have become integrated in time as middle-class blacks and whites learned to live together.

Close-in, older neighborhoods like Dillworth are very popular with white-collar singles and newly marrieds, and the vacancy rate is under 2%.

"Charlotte is the financial center for the Carolinas, and a major regional sales and distribution center for the southeast," says Dennis Malarkey of the Charlotte-Mecklenburg Planning Commission. "These economic centers continue to attract a large number of moderately paid white-collar employees. In addition, there is a large cadre—10,000 plus—of highly-paid salesmen who travel the southeast." Mecklenburg county, which surrounds Charlotte, has a population of 386,000 and has been growing annually at a rate of more than 20% a year.

Lawing expects that new multifamily starts will remain low but that in-migration will continue at a strong pace. Thus enough excess units should be absorbed by the second and third quarters of 1975 to see a significant decline in vacancies.

One large local builder is uncertain. "We are not going to start any more rental developments in Charlotte until we get a clearer picture of what's going to happen with the national economy and the energy crisis," says Fred Armstrong, vice president and property manager for Ervin Industries. The company's 2,000 units in Charlotte are running at better than 90% occupancy.

But at least one lender is optimistic about the 1975 rental market. Says Marshall Smith: "We have enough confidence in rentals to begin making a few selective loans in good, good locations. The projects will be opening in 12 to 18 months."

Smith's firm is likely to favor two areas: 1) a corridor heading east to Union county, and 2) a corridor heading south toward Lake Wylie and Rock Hill, S.C. along I-77.

CHICAGO

Chicago apartment permits took a dive from 33,320 in 1972 to 23,391 in 1973, as home-building in general dropped to its lowest volume in the area since 1970.

"It's almost impossible to start a rental project today because the numbers aren't going to work," says Ed Kirk of Four Lakes Village. Kirk has just finished the last section—438 units—of a 1,425-unit garden apartment complex in DuPage County. His next phase: condominiums.

In Chicago it is not just high money, land and construction costs that make apartment building uneconomical; it is also high taxes, zoning trade-offs and materials shortages.

"At the moment real estate taxes are something like 38% of gross income," says Yitzhak Kolikant, treasurer of Albert Frank Associates which has completed 330 units of an 800-unit apartment project in Buffalo Grove. "If our application for a tax reduction is not successful, we'll switch to condos."

Another large Chicago-area apartment builder is moving his operations beyond the five-county metropolitan area and looking for raw acreage farther out. The problem is not just the cost of land, although avoiding ready-to-build sites is one way he is making the economics of rentals work. It's also the ordinances that many metropolitan Chicago communities have adopted requiring the developer to donate money to the local school district for each child his project brings into the community, or give a certain amount of money or land for the park district.

"Real estate taxes now amount to something like 38% of our gross income"

	1972	1973
Total	33,320	23,391

Source: Bell Federal Savings Bank

The Chicago area, more than most other places, seems to be experiencing materials shortages that contribute to a further lack of enthusiasm about starting anything new.

"If you're uncertain about getting that building completed and your interim loan is going to start eating up your profit, it doesn't pay to get involved," says Norman Lindh, assistant vice president of the big St. Paul Federal Savings Bank.

"Everyone says the energy crisis is going to be solved by insulation, so there's been a run on insulation," says Bob Widdicombe, executive director of the Home Builders Assn. Widdicombe also reports shortages of plumbing fixtures, asphalt and roofing.

On the other side of the coin, rental demand is strong in the Chicago area. Many of the large apartment houses in the fashionable near north side have converted to condominium, leaving a very tight rental market in the city itself. And the Federal Home Loan Bank recently estimated vacancies at 3% for all the close-in suburbs. This includes some pockets of buildings with 10% to 15% vacancies in the west and northwest.

Another factor: there is virtually no mortgage money available for home purchases because Illinois has an 8% usury law. This has hit particularly hard in the condominium market, which represented an estimated 60% of all multifamily starts. Some builders are offering loans to help buyers finance condos; others are renting them.

Loans are available for apartment building, although at rates that assure very few takers. Says Samuel Novello, assistant vice president of the First Federal S&L:

"Depending on the quality of the project and the amount of money involved, we'd look for anywhere from 9% to 9½% interest, probably with a couple of points up front, and we'd want personal liability."

And Norman Lindh says:

"If a good apartment project were to come along right now the rate would be 8¾% to 9% plus points. We'd like to get higher rates for the end loan, but we realize that if we don't keep within a reasonable rate we won't end up with either a good project or a good loan."

CLEVELAND

Cleveland rents are not as high as they should be, even though the demand for rentals is strong. And many apartments have been taken off the rental market and converted to condominiums.

Cleveland experienced a great deal of apartment building in the late sixties, but since then it has tapered off. The city's overall vacancy rate is now estimated at 6.6%; this reflects the combination of a generally firm market in the suburbs and higher vacancies in some of the older, changing downtown neighborhoods. The suburban market is not so tight, however, that rents can seek their natural level.

"The market is fairly competitive," says Roger Deuel, assistant vice president of the Broadview Savings and Loan Assn. "A builder may put up a brand new building and expect rents of $300 a month. But he has to remember that tenants can still go down the street to a building that was built when money was cheaper and get the same unit for $250."

Apartment developer and manager Joseph Aveni of Hilltop Management Co., a past president of both the apartment owners association and the Institute of Real Estate Management, estimates that rents are a minimum of $25 below what they should be. The average one-bedroom apartment rents for $165 or $170 and the average two-bedroom apartment is around $200.

"Everybody's afraid to raise rents here," Aveni complains. "Developers who build a lot of units are only interested in getting them filled. This hurts the investor who needs to get a flow out of the building."

Still, so little is being built in the Cleveland market these days that Aveni projects the vacancy rate will be down to 3% by next summer. At that point it is likely that rents will go up.

"Developers who know what they're doing are playing it close to the chest"

	1972	1973
1st half	4,221	2,723
2nd half	2,290	3,727
Total	6,511	6,450

Gene Bluhm, editor of *Properties,* the local industry magazine, sums up the situation in Cleveland this way:

"The developers who really know what they're doing are managing properly and playing it close to the chest. They would rather get involved in something they can bite off a chunk at a time—garden or midrise apartments—instead of highrise. That way they can build a phase, see how it's going, and then start the next."

Developers are also diversifying out of apartments. Carl Milstein, president of Associated Estates, for example, has become involved in commercial and industrial development as well as condominiums and rental apartments.

"We're building rental apartments because the commitments were made a year-and-a-half or two years ago," he says. "And everything we're building at the present time has already been leased."

Surprisingly, condominiums accounted for a smaller share of the market in 1973 than in 1972, probably because 1972 was such a big year. *Properties Magazine,* which keeps track of the number of units placed on the market, found 7,220 apartment units were offered in 1973, down from 8,040 in 1972. However, condominiums accounted for only 980 units, or 14% of 1973's production, as against 2,950 units, or 37% of 1972's multifamily production.

The main problems seem to be the high cost of land and money and a general air of uncertainty in the industry. Demand is strong, and the market for used homes is booming. Still, starts of all new housing—single-family and condominium as well as rental—are off.

Says Roger Deuel of Broadview S&L:

"I think builders are going to finish up what they've got in the mill right now, take their profits and get out."

Broadview has permanent money available at 8½% on up, plus a point or a point-and-a-half. It would normally finance two-thirds to three-quarters of a project for a term of only 20 years.

The big Cleveland Trust Company, on the other hand, is not looking for permanent loans at all right now.

"All we're looking for is construction loans," says Frederick Scism, senior vice president.

The reason, Scism explains, is the heavy demand on the bank from the residential-mortgage market because disintermediation has eliminated the S&Ls as a source of home mortgages.

DALLAS/FT. WORTH

The Dallas-Ft. Worth vacancy rate has dropped below 10% for the first time in three years.

Today, Dallas County is at 9% to 10%, while the city is at 8% to 9%. Eighteen months ago it was 25% in the county and 20% in the city.

"This firming trend in vacancy levels will continue throughout the year," says W.L. McCallum, senior vice president of Southern Trust and Mortgage Co. "In close-in locations the demand for efficiencies and one-bedrooms exceeds the supply because we have a large young-singles population. Demand for garden apartments exceeds the demand for highrise units, and luxury garden apartments are especially sought after, but there's not very much demand for townhouses, whether they are rental or condominiums."

The rapid decline in vacancies stems from three factors: a 40% drop in multifamily starts from 1972 to 1973, the creation of 35,000 new jobs per year and the conversion of many rental projects to condominiums.

"You think an annual tenant turnover of 110% is bad? Two years ago it was 135%"

	1972	1973
1st half	6,141	3,917
2nd half	6,274	3,717
Total	12,415	7,634

Though vacancies should continue to fall, McCallum doesn't anticipate significant rental construction in the next few months. His reason: Economics doesn't warrant it.

"Rents today don't justify the high cost of construction," says McCallum. "Typically, most projects are in the 20¢ to 23¢ per sq. ft. range. But as the vacancy rate gradually declines to about 5%, rents will start moving up, and people will start building again. This probably won't occur until the third or fourth quarter of this year." One exception: the prime Oak Lawn area, where rents of 26¢ to 30¢ per sq. ft. warrant building right now.

An experienced Dallas builder concurs. Says Harvey K. Huie: "Oak Lawn and a few other close in areas are excellent for the adult-only market. I'm optimistic enough to be starting my biggest project ever, 388 units, in Oak Lawn. Since I own 1,200 units in the area already I'm very familiar with what will rent at what price."

But the project won't be a fast buck deal. "I know my costs will be high, so it's going to be hard to make any money in the beginning. But eventually, rents will move up to provide a decent return."

Rapid apartment turnover helps accelerate the upward movement of rent levels which have increased 5% to 15% in the past year.

The annual turnover rate—now 110%—may seem extraordinarily high, but it is considered a normal part of Dallas apartment operation. "It doesn't really bother us," says Huie. "The turnover is figured into the existing rent structure. Actually, 110% is not bad. Two years ago, it was 135%."

DETROIT

Detroit is experiencing its strongest rental market in years, says Jim Burrows, manager of First Federal Savings & Loan's commercial division. And opportunities for building new projects are good.

"The overall vacancy rate is under 5%," says Burrows. "Many projects are at 100% occupancy with waiting lists."

The market is particularly strong in the northern suburbs. Areas of western Wayne county are a little softer but are showing a definite firming trend.

The medium rental range is in greatest demand. One bedroom apartments are renting in the $185 to $215 range, up from $150 to $160 two to three years ago.

"Rents have finally begun to catch up with rising operating costs," says Burrows. "Rents always have a tendency to lag behind, but now builders are beginning to get rates in existing projects that match inflation."

Why the rapid upsurge in rents and decline in vacancies? Burrows cites two primary reasons:

1. Throughout 1973, many multifamily builders concentrated on condominiums: In the first two quarters of 1973 about half of all multifamily starts were condominiums.
2. A number of rental projects were converted to condominiums.

The result in the first quarter of 1974 is a softness in condominium and single-family sales and rising demand for rental units, particularly in the more affluent northern suburban towns.

Developers are responding quickly to the changed market, and loan applications for rental projects are numerous.

"Rents have finally begun to catch up with rising operating costs"

	1972	1973
1st half	9,074	9,592
2nd half	10,973	9,669
Total	20,047	19,261

"In the past couple of months our activity here at First Federal has been the strongest that I can recall in the past five years," says Burrows. "We're glad to see developers come in with good site locations, and we're seeing more of them all the time."

Rising rental demand coincides with declining interest rates. Permanent take-outs now range from 8¾% to 9⅛% plus one point. With a construction loan included, an additional point is likely to be charged.

Will the Detroit rental market hold up into 1975? Burrows believes it will.

"Barring a catastrophe in the general economy and in the energy situation, I think the market will continue strong. However, I'm not sure whether we've felt the full effect from the auto industry's layoffs and model changeovers."

But a Detroit-area builder, Kenneth F. Nothaft, finance manager of Edward Rose & Sons, reports a widespread belief that the last of the plant cutbacks has now been made.

Nothaft's company has just completed a rental project which rented up briskly in suburban Southfield. "But this isn't universally true throughout the area," he says. "We compete vigorously by pricing our units a little under the market and offering more amenities than the next guy."

Nothaft tempers his fairly optimistic view of the 1974-75 rental market with cautious business decisions.

"Even in Detroit, where things are really pretty decent, we're being careful because of the uncertainty in the economy. We'll have about 300 to 400 rental starts in the Detroit suburbs this year, which is a little less than we'd originally planned." (His company plans a total of 2,800 rental units in various midwestern markets.)

Nothaft feels that rent levels for new projects opening in Detroit during the next 18 months will be high enough to absorb ever-increasing construction costs.

"When costs increase phenomenally during the course of construction, as they have in the past year, you normally can't increase rents enough to cover them. But 1975 looks like a time when rents should pretty much catch up to construction costs."

The most serious cloud hanging over the Detroit market is whether natural gas, used to heat most residential buildings, will continue to be available for new starts.

"Right now, a developer can't get his gas permits until the basements are in," says Burrows. "But by that time both the lender and the builder have shelled out a lot of money. The two utility companies here are still providing new permits but refuse to promise builders that gas will be available by a specific date."

DENVER

Apartments are overbuilt in Denver and starts are dropping sharply in response to vacancy levels of 15% and 20%. The high costs of money and construction, combined with low rent levels, make it uneconomical to build apartments today, and 1973 permits, as reported by the homebuilders, were just over half the 1972 level.

Says developer Larry Mizel: "We expect apartment starts to drop by 60% to 80% because of the vacancies."

Bill Heiner, president of Capital Federal Savings, agrees. "Even people whom I consider real pros have high vacancies."

Overbuilding is concentrated mainly in the northwest and southeast, both desirable areas. Especially in the southeast, where many of the tenants are in their 20's, aggressive merchandising has filled some complexes while similar ones are empty.

Developer Mizel estimates that rents would have to rise at least 20% if apartments are to become profitable. He emphasizes that net cash flow, not gross income, determines profitability.

"Let's say a unit is worth $13,000 predicated on the income stream," says Mizel.

"Even the pros are stuck with high vacancies"

	1972	1973
1st half	12,549	8,892
2nd half	12,379	4,612
Total	24,928	13,504

"If it cost $15,000 to build, you wouldn't build it."

The problem of rents that do not keep pace with the physical value of a building is not peculiar to Denver, but Denver's high vacancies make it unlikely that rents will rise enough to make apartments profitable in the next few years. Thus, Mizel and other builders are switching to condominiums, where sales have been good even though there is now a considerable inventory. Advance Mortgage estimates that some 20% of Denver's multifamily starts consisted of condominium units.

Bill Veio, director of the Rocky Mountain Research Institute, blames much of the Denver downturn on economic uncertainty:

"Everyone is in a holding position. Consumers don't want to buy, builders don't want to invest and lenders don't want to make any commitments because they don't know what's going to happen."

Still, if a builder can convince the lender that his project is viable or that he can build it cheaper today than he will be able to two years from now and that he can carry it through the soft period, financing is available. Rates are around 9¼% or 9½%, plus as many as three points on a 75% loan-to-value ratio for 20 to 25 years.

A big problem in the Denver area is a gas curtailment that went into effect January 1. There was a rush for permits before that time, and there will be another rush to bring buildings to a certain stage of completion by July 1 or the project will lose its gas permits.

"Right now we're only doing business with people we know can get the job done in time," says Heiner. "We've had to turn down deals because the developers had no assurance of getting gas after July 1."

HOUSTON

Houston's current rental market reminds you of dropping a pebble in a pond and watching the ripples spread out: Projects very close-in are filled up; projects in the next ripple are starting to firm up and the outer ripples still show disastrous vacancy rates. But if building continues to decline, these very troubled areas will fill up within six to eight months.

This analogy, made by Jenard M. Gross, one of Houston's most perceptive builders, translates into hard numbers: Vacancy rates range from less than 5% for close-in projects to 30% for the far-out suburbs. The metropolitan area's overall vacancy rate is 12% to 13%, just on the threshold of profitability for projects more than three years old.

"For most new projects, 90% occupancy isn't good enough to break even," says Gross. The reason: Rents aren't high enough to cover exceptionally high debt service.

As an illustration, Gross cites a large Houston builder with $69 million in assets and $54 million in liabilities, who recently went bankrupt.

"When I tried to figure which one of his projects might be a good one to buy, I found that his debt service for many projects was 50% to 52% of gross income," says Gross. "This is an impossible situation. Debt service would have to get down to around 40%, which really means a 15% to 20% rent increase, and this just is not feasible."

Most builders in the middle price range are projecting 23¢-per-sq.-ft. rentals but are receiving just 21¢ because of discounts and concessions. Upper range rents were projected at 26¢ to 27¢, but they too are discounted about 10%.

"People are beating down the doors of close-in projects"

	1972	1973
1st half	14,345	10,053
2nd half	15,430	8,387
Total	29,775	18,440

"What's really happened," says Gross, "is that in the past two years a terrible run-up in costs has prevented economic value from catching up with physical cost. Typically, a project costs $18 per sq. ft. to construct, but its actual economic worth is only $14.50 per sq. ft."

In the Houston market, Gross says, "I don't see a decent cash-on-cash return." He feels it will take eight to twelve months of a continued slowdown in starts for the general market to come back.

A few fortunate owners are getting a 5% cash-on-cash return, and a much smaller number are making 10% to 15%. But many Houston projects, managed by professional operators, have been losing $8,000, $10,000 and $15,000 a month.

Even projects in ideal locations are not in the black. One outstanding project, for example, is within the coveted close-in area, but at 97% it is only breaking even. "Eventually, it'll do well. But you've got to be very patient waiting for that day," says Gross. "Even run-of-the-mill projects are likely to be bailed out eventually by inflation, but it may take years and years."

When will new starts make economic sense? Gross believes that in the next three to four months it might be possible to start a project that will be ready and viable in early 1975.

Gross hasn't started any new projects in a year. He may start some in the next few months, but doesn't feel obligated to perform according to some preordained timetable.

"When I see a market get overbuilt," he says, "I cut back and relax for a year."

Gross feels that building costs are so unstable that it is worth considering a general contractor to handle a new project. A general contractor charges 5% to 15% of a job's total cost, but he is locked into a fixed price contract. In the past 24 months, construction costs in Houston have increased almost 20%, and will increase another 11% this year.

The gasoline shortage hasn't pinched Houstonians too badly, but it did spark a massive influx of people from far-out projects.

"People are beating down the doors of close-in projects," says Gross, "because miles are now important. It used to be that people thought just in terms of driving time. But gas cost has increased 50% in the past year and gas lines are starting to form."

Ironically, as the energy crisis intensifies the demand for more fuel, it directly benefits Houston's economy. As the country's energy capital, Houston is headquarters for the companies that own, process and market most of the oil, gas and coal. And as efforts to boost fuel production increase, so will the number of new jobs.

KANSAS CITY

Bulls and bears have opposite views of the Kansas City rental market.

On the bullish side is John Gossey, assistant vice president of Commerce Mortgage Co.

"This is a vibrant city that's going to grow rapidly. In '74 and '75 there will be good opportunities for rentals in close-in locations that focus on the low- and medium-rent ranges where demand is strong."

Gossey says the overall vacancy rate for Kansas City, Kansas is 6% to 7%, with the prime suburban area of Johnson County at 5% to 6% and southeast Kansas City, on the Missouri side, at 4%.

On the bearish side is investment builder Russell V. Baltis Jr., executive vice president of North Kansas City Development Co.

"There's no money in building apartments unless you'll be content with zero percent cash return for several years. Eventually you might get to a point, in about five years, when you'll see a 7% to 8% cash-on-cash return."

But such a waiting period requires considerable staying power—and this means regular infusions of cash to keep a new project afloat. Even at 97% occupancy most new projects barely break even because the debt-to-income ratio is too high.

"Some almost-new projects—only a couple of years old—have been through the bankruptcy wringer twice"

	1972	1973
1st half	3,491	4,306
2nd half	4,286	2,211
Total	7,777	6,517

"Face facts," says Baltis. "Some projects have been through the wringer twice. A big contributing factor to many bankruptcies is the practice by many apartment builders of putting up a new project to pay off the cost overruns and carrying charges of the last project. They keep their heads above water when inflation and market demand are strong. But when the local economy slows down, as it has here in recent months, they go into default on their mortgages. And sometimes they go bust."

Baltis thinks that the overall Kansas City vacancy rate is as much as 10% to 15% for well-located projects more than three years old. And newer projects are often running at 20% to 25% vacancy.

He cites numerous come-ons used by desperate owners to hasten rent-ups: no leases, month's free rent, color TVs, moving expenses, and trips to Las Vegas.

Baltis' firm, which owns and manages 1,300 units with a 3% vacancy rate, is not building rentals today, but might consider a rental start in late 1975. Meanwhile, the company is concentrating on building $5 million worth of commercial and industrial space for pre-leased customers.

A contrasting bullish view comes from John R. Kronsnoble, vice president of coordination and planning for the Financial Corporation of North America, based in Kansas City.

"The overall Kansas City area has a 7% vacancy factor, and Jackson and Johnson counties are down to 5%. But north of the river, close to the airport, vacancies are at 10% plus and a few at 20%."

Kronsnoble's company is so sanguine about the Kansas City rental market that it's just about to complete a project of 392 units in the luxury-rent range—a market segment that has been very soft of late.

Comments one local wag: "We've got a lot of monument builders in this town. They love to build gorgeous, swanky apartments going for $400 a month, even if there isn't too much demand for them."

But H. K. Gilliland, senior vice president of the company, is firmly confident. "We aim for markets within markets, and because of superior location and excellent design we can do well even in the midst of generally sagging absorption rates."

And Gilliland contends that his formula is profitable:

"I always structure a deal for a 20% profit, so that 20% of the project's market value will be cash flow into the company within a year or two of completion. Sure, there's always attrition, and the extent of the attrition depends on our management capability. But we usually wind up in the 12% to 14% range."

A more middle of the road view comes from Donald Ham, a partner in St. Louis-based Bruce Properties, which started a new Kansas City rental project in March.

"Some Kansas City areas have pretty bleak outlooks, while others are doing fine. We're building in an area with a 4% to 5% vacancy rate in the southeast quadrant, so I don't really anticipate any problems in a fast rent-up."

What about profitability? "We're in the apartment business for the long haul," says Ham. "So we are used to being patient. Sometimes you have to be very, very patient until a project shows a good bottom line. Other times, if you are lucky, a good return comes sooner."

LOS ANGELES

"No question about it—the Los Angeles market has definitely turned around"

	1972	1973
1st half	20,158	20,502
2nd half	13,636	13,334
Total	33,794	33,836

Statistics describing the Los Angeles-Orange County rental market tend to veil the realities—namely, demand is strong and getting stronger, and it is possible to make a decent profit building and owning apartments.

The statistics show that the number of multifamily permits issued in 1972 and 1973 were constant. But they don't show that in the fourth quarter of 1973 permits dropped to half the rate of the first three quarters. And they don't show that about 25% of all multifamily permits were for condominiums, not rentals.

There will be, therefore, a dramatic reduction in the output of new apartments in the second and third quarters of 1974. Add to this the facts that the unemployment rate is a low 4.4% and employment growth is rising at a whopping 5.6% per year and you have the strong potential for a shortage of rental apartments.

"No question about it, the Los Angeles market has definitely turned around," says Dan Epstein, vice president and general manager of American Housing Guild's Multifamily Division. "In close-in areas we are experiencing a trend to lower and lower vacancy rates."

Says Richard Roach, president of Kaufman & Broad Asset Management, Inc., a K&B subsidiary that packages and syndicates apartment projects:

"We see a declining vacancy factor in early 1974 as well as an influx of people from the far-out suburbs. Obviously the energy crisis is having an effect."

While individual owners are experiencing a generally improving vacancy rate, some of the available general statistics are less optimistic. Year-end estimates from Commercial Construction Markets Survey show Los Angeles at 8%, Orange County at 7%, Central Los Angeles and San Pedro "fairly soft," and only the San Fernando Valley "strong."

These figures are not quite in line with the year-end vacancy rates based on idle electric meters as supplied by the Los Angeles Department of Water and Power. These estimated rates may actually be higher because people often move out without having the meters turned off, but even allowing for this the figures are quite healthy. The City of Los Angeles shows a 3.5% vacancy rate, and key towns in Orange County show a range from 1.8% in Huntington Beach to 2.7% in Santa Ana.

A year-end idle-electric-meter count covering 3.2 million apartments in six southern California counties shows an average vacancy rate of 3.1%. The counties are Los Angeles, Orange, Riverside, San Bernadino, Ventura and Santa Barbara.

Another key indicator of the Los Angeles market's health—absorption rate—was definitely up for the months of February and March according to those in a position to know.

Says Donald J. Scholz, who built 2,667 rental units last year in nine cities and has just opened a new luxury project in Santa Ana:

"Even though our Los Angeles rentals are top of the market, ranging from $250 for an efficiency to $450 for a three-bedroom, our rent-up rate is extremely good. You have to assume that because apartment building tapered off, demand is coming back."

Says a major lender, Paul O'Brian, senior vice president in charge of real estate administration for Security Pacific Bank:

"The apartment houses we're financing are filling up faster. Closer-in projects are renting up the best, sometimes at rents higher than were projected."

The rate of rent increases has doubled since mid '73, according to the Commercial Construction Markets Survey. The rent-level index now is climbing at 5% annually, but actual lease renewals usually come in at 10% to 15% increases.

But O'Brian doesn't believe that builders will stampede to put up new apartments.

"Apartment builders have just been through a very tough time here so they are going to proceed with some caution."

Can you make a decent profit building apartments? O'Brian says that it's becoming increasingly difficult to make a dollar, but it can be done. Rapid increases in construction and land costs, plus approval delays, are squeezing profits to almost nothing for many new projects. "But there's no question in my mind that, in time, the inflationary cycle will cause rents to rise enough to provide a decent return."

Declining interest rates will help improve the bottom line for projects built later this year. Currently, Security Pacific is offering construction loans at one to three points over prime plus one to two points for a construction fee. Permanent take-outs typically range from 8½% to 9% for 20 to 25 years.

But builder Scholz says typical interest rates are much too high and the terms too short for a project to provide a decent net yield.

"It looks like our current Los Angeles project is going to show a very good yield the first year or two, but that's only because it has a 40 year term permanent loan in the 7% to 8% range.

"It's an FHA 207 mortgage arranged a long time ago when money was very loose.

"These low rates and long terms are the only things that make rental housing work for us. Last year we built more than 2,500 rental units (making Scholz the eighth ranked rental builder in HOUSE & HOME's listing of The Biggest Builders). But that was a real fluke. With the cutback of the FHA 207 program, we'll build only 1,100 rentals this year and about 400 units in 1975. We are putting 90% of our efforts into for-sale housing."

American Housing Guild's Dan Epstein has a different view. "With an 8¾% permanent loan, a west coast project should show a positive cash-flow in the first or second year, and then continue to throw off at least an 8% cash-on-cash return."

MEMPHIS

During 1972 and 1973 Memphis looked like one of the nation's hottest rental markets. Out-of-state builders flocked to this city of 600,000 people, bought up all available land and began building apartments.

These apartments have now begun coming onto the market, and vacancies, which stood at 1.3% in July 1971, were up to 11.1% in January 1974 and still climbing. The vacancy rate for apartments less than six months old is 35.6%, according to a study prepared by Marketing Consultants Inc. for a group of Memphis's leading lenders.

How did a city that had traditionally kept supply and demand in balance find itself in such a predicament?

The answer lies in the 1970 census figures, which showed a sizable jump in Memphis's population at the same time as apartment vacancies were down around 1%. Developers rushed in to take advantage of this apparent opportunity. They did not realize, however, that the population jump did not mean there were more people in Memphis, but merely that Memphis had gotten larger by annexing some neighboring areas.

Dr. Harry Summer, vice president of Marketing Consultants, explains that Memphis's growth is mainly in quality rather than quantity: Lower-income people are moving out and being replaced by higher-income professionals or managers. Otherwise, the main growth results from marriages and divorces, both of which create demand for apartments.

But the demand is for something like 3,000 or 4,000 units a year; not the 12,184 built in 1972 or the 13,694 built in 1973.

"This city will be able to absorb about 30% of the apartments coming onto the market"

	1972	1973
1st half	3,539	5,481
2nd half	8,645	8,213
Total	12,184	13,694

"I'm afraid our problem is going to be around for a number of years because of our lack of growth," says developer Avron Fogelman of Fogelman Management Corp. Fogelman, who already owns some 4,500 apartments in Memphis, has another 1,000 coming on the market right now. And despite the glut he thinks he will be able to fill them up. He says:

"The city is only going to be able to absorb about 30% of the apartments that are coming onto the market, but we hope to fill our own units by giving better service, better value so that people will move to them from existing apartments."

Competition will be stiff, though, as many apartment owners have started to offer concessions, such as two to four weeks' free rent or even television sets, to help them fill up their units.

The Memphis apartment glut is also likely to affect the condominium market, which will find it hard to compete in price with the apartments. Arthur Larson, vice president of Leader Federal Savings and Loan Assn., points to two projects that have already converted from condominium to rental.

"We think there's going to be more of this," he says.

A Marketing Consultants survey made last October 5 showed a total of 3,367 condominium units completed or under construction in Memphis. Only 20.6% of these had been sold.

Despite the overbuilding, all is not gloom in the Memphis apartment industry. Leader Federal Savings and Loan, for example, does not rule out apartment loans. Says Larson:

"As lenders we're still looking at the good projects. They're going to make it all right. The others are going to hurt."

The bank could loan as much as 80% of value for as long as 30 years at a rate of around 9% with about two or three points if it were both a construction and permanent loan. If it were just a permanent loan, there would probably be one to two points depending on what kind of security the bank has, whether it has personal endorsement on the note, etc.

For the moment, however, there seems to be no new activity in the Memphis apartment market. Many local builders had simply stepped aside when the out-of-state invasion began. Some even sold their land to the foreigners and pocketed larger profits than they would have gotten from building. Now that many of the out-of-staters are pulling out without having started their projects the Memphis builders are ready to buy back their land. For Memphis has traditionally been a good housing market, and most people expect the present problems to blow over before too long.

MIAMI

No professionals are starting new rental projects in the Miami-Ft. Lauderdale market, despite a vacancy rate of less than 5%.

Astronomical land cost is the primary reason. Not even the increased density of highrise towers makes new middle- and upper-middle income rental projects feasible.

Further, severe cost overruns for most newly-built projects have dampened the enthusiasm of builders and lenders alike. A majority of new projects are in the red even at 98% occupancy. Before black ink begins to show for these projects, rents must rise 10% to 20%. But hefty rent increases would push many would-be tenants into the soft condominium market. (Condos make up 75% of the multifamily starts in Miami, and there is no slowdown showing, according to analysts at Commercial Construction Markets Survey.) And many tenants hold three-year leases signed when the rental market was soft and rents consequently low.

The only bright spots in the local rental picture are the many older well-managed projects which show occupancy rates from 93% to 98% and throw off a 6% to 9% cash-on-cash return.

"Only the amateurs are building . . . and they're taking a bath"

	1972	1973
1st half	29,956	38,410
2nd half	35,804	38,803
Total	65,760	77,213

"The demand for rental apartments is very strong today," says Sam Adler, who has been building in Miami since 1946. "But the incredible increase in land costs precludes building new rental projects. The only way a builder can justify the use of high-cost land is to pass along the cost directly to the consumer—and this is why so many builders here rushed into condominiums.

"An increase of $5,000 per unit due to higher land costs means a condo buyer pays $50,000 for his unit instead of $45,000. But for a 400 unit rental project, it means you'll have to carry $2 million more in amortization and interest. And there's no way the numbers will work."

Four years ago Adler was paying about $2,500 per unit for land with adjacent utility hook-ups and zoned for highrise towers. Today, similar land, re-zoned and with utilities, costs $7,500 per unit.

Adler is one of the very few developers still building middle-income rental units in the Miami area. He has a backlog of land purchased years ago at far below today's prices, and he keeps down construction costs by acting as his own general contractor.

"We know that construction costs are rising faster than rents, which are fairly stable now," says Adler. "But we are more concerned with the long range. If we earn less than the going rate of interest at the beginning, but wind up with a prime investment, we are satisfied."

Would a rental project with smaller rooms and fewer amenities make a reasonable return? Yes, says Roger Terrell, a partner in Terrell-Brown, mortgage brokers—if you consider less than 8% a reasonable return.

"Only non-professionals are trying to build new rental projects in the Miami area, and they're taking a bath. The rental pros are hunting for economically sensible sites further up Florida's east coast and on the west coast in the Clearwater, St. Pete and Tampa area."

Adler agrees. "We will use up our Miami land backlog this year, so we're thoroughly analyzing smaller communities in other areas of the state where demand is strong and land reasonable."

An out-of-state builder, H.K. Gilliland, senior vice president of Financial Corp. of America, is equally sanguine about other parts of the state:

"A careful study of markets within markets on both Florida coasts can turn up pockets where rental demand is good and land costs not outrageous. You may have to wrestle with environmental and zoning restrictions, but that's the way to get exceptionally well located parcels."

So where are the opportunities for builders who want to stay in the Miami metropolitan area? Strip stores and small office buildings in good locations have been renting well, says Terrell. A new concept, office condominiums, which typically range from 25,000 to 35,000 sq. ft., have achieved rapid market acceptance and are generally selling at a healthy rate.

MINNEAPOLIS/ST. PAUL

The Minneapolis-St. Paul vacancy rate is a healthy 5.6% and going lower, but 1974 rental starts will be nil.

Just about no one is building, even though the latest vacancy rate, as reported by the Bank of St. Paul for the end of 1973, is a decent improvement over the 8.3% rate for a year earlier, says Ed A. Harrington, executive vice president of the Minnesota Apartment Association.

Good employment rates and the rising cost of for-sale housing swelled the demand for rental housing, says Harrington.

But rents cannot absorb the higher costs of construction. Thus, new projects are only marginally profitable at best, and possibly in the red.

Equally damaging to would-be apartment builders is the energy crisis which has sent utility costs soaring 50% to 100%. This significant increase in operating expenses compounds the struggle by apartment owners to cope with real estate taxes that range from 25% to 35% of gross income.

Says Hans Hagen, president of Ban Con Inc., a Twin Cities diversified builder: "High real estate taxes alone were enough to prevent investment builders from putting up new units. The energy crisis just clinched it."

"High local taxes discouraged investment builders . . . Then the energy crisis clinched it"

	1972	1973
1st half	5,157	7,043
2nd half	4,760	2,182
Total	9,917	9,225

Harrington says: "Our people are really hurting, and of course, the rate of taxation—one of the highest in the country—is a large part of the problem."

An equally bleak view comes from one of Minneapolis' major lenders, Wallace Berg, vice president of Midwest Federal S&L's mortgage department: "The total viability of rental housing in the Twin Cities area is open to question because of high operating costs and the increasing difficulty of raising rents."

As a result, Berg says, Midwest Federal is going to be extremely selective about future apartment-project loans.

"We will very likely ask for a lot more supporting market data," says Berg. "MAI appraisals and professional third-party feasibility studies will become more prevalent, if not mandatory."

While 1974 will not produce an appreciable number of new rental starts, this year will be beneficial for existing projects: Vacancy rates will continue to decline and rents will continue to inch upward so that the losses of previous years can be partially recouped.

But prospects for 1975 look a little better.

"We have no plans to build rental units this year," says Hagen. "However, we do plan to build highrise rental buildings next year because of a new state tax law that should make rentals economically viable again."

This new law becomes effective January 1, 1975. It will tax highrise residential buildings at a lower rate of assessed value than lowrise structures. Buildings five stories and above will be assessed at 25% of market value, while smaller buildings will be assessed at 33⅓% of assessed valuation. As a result, it is likely that local governments will modify their zoning regulations so that specific areas will be set aside for highrise construction.

Says Hagen: "We're hopeful that highrise density, combined with a lower tax rate will make economic sense."

NEW YORK

The big New York City rental market has been hit by 1) the government moratorium on subsidized housing, 2) tight money, 3) high land and construction costs and 4) uncertainty over whether some form of rent control would be reimposed. As a result, multifamily permits fell sharply toward the end of 1973, and as of this writing they are going even lower.

The New York State Division of Housing recorded only 17,510 multifamily permits for New York City's five boroughs in 1973 as against 30,599 in 1972. The suburban counties, where little subsidized housing is built, did not fare much better. On Long Island, Nassau county permits fell from 876 in 1972 to 726 in 1973. And in Suffolk county, the most active home construction market in the whole state, permits fell from 2,610 in 1972 to 1,766 in 1973.

North of New York City, Westchester County apartment permits dropped from 3,210 in 1972 to 1,316 in 1973, and Rockland county permits dropped from 1,358 in 1972 to only 255 in 1973.

"There has to be more apartment building . . . The market is there and it won't go away"

	1972	1973
1st half	16,014	17,348
2nd half	13,493	9,837
Total	29,507	27,185

Much of the activity in the suburban counties, plus northern New Jersey, which is also part of metropolitan New York, is in condominiums rather than rentals.

"There comes a point when you have outpriced yourself on the rental market," says Rudolph Marino, vice president of the Bowery Savings Bank.

"When one-bedroom garden apartments out on Long Island start to bump the $200 level it becomes more attractive for people to take their money out of the savings bank and buy condominiums.

"Even considering what their purchase money would bring were it invested, the tax benefits still bring their effective monthly payments down to less than $200."

Suffolk county developer Donald Partrick, of Heatherwood Communities, agrees.

"The rental market has been quite weak in Suffolk and there's going to be no change. It was slightly overbuilt and then the market that was there got drained off by condominiums."

Partrick, who is building a planned unit development that includes both rentals and condominiums, points out that land costs have doubled in the past two years. He expects to continue building rental apartments, however.

"We build for investment, and as far as

we're concerned if we don't rent them tomorrow we'll rent them the day after," he says. "We try to create a way of life and make the customer feel that if he rents from us everything will be provided for him. The only time he has to worry about gas is when he travels back and forth to his job."

That is a big worry, however. Gasoline has been in tight supply in the New York area and Suffolk county, for example, does not have enough employment so that all its residents can be employed locally.

The energy crisis has also affected builders, chiefly because they fear materials shortages.

"A lot of the builders we do business with are getting panicky, and they're pulling in their horns," says the Bowery's Marino. "They're frightened because timing is such an important part of construction. And if they order a key material and it's six months late, I can assure you it's a very valid concern."

Harry Lisberger, vice president of the New York Bank for Savings, says that he has seen few apartment loan applications lately:

"An awful lot of builders are sitting back waiting to see if there's a change in interest rates."

The New York Bank for Savings charges between 8¾% and 9⅛%, depending on the security of the property, plus points depending on the length of time of the loan commitment.

Several of the banks expect construction but not permanent money to get cheaper by mid-year.

In the meantime, Lisberger points out that there are few markets for the big apartment builder to turn to. Commercial building is out because New York City already has a glut of office space.

"But there definitely has to be more apartment building," he says. "The market is there and it won't go away."

PHILADELPHIA

"Even people who live in the suburbs like the downtown area"

	1972	1973
1st half	5,070	6,544
2nd half	8,658	6,346
Total	13,728	12,890

Philadelphia apartment starts dropped slightly in 1973, mainly because of tight money. With financing at 10% plus one or two points, many developers sat back and took a wait-and-see attitude. Now, with the prospect that rates will be lower by the time projects are ready for permanent take-outs, developers are again committing themselves to new apartment buildings.

Condominiums are still new in the area and just beginning to gain reluctant acceptance. Observers believe that they accounted for about 25% or 30% of the 12,890 multifamily starts in 1973. However, Michael Cunnane of the Philadelphia Savings & Loan Assn. points out that a number of condominiums have been converted to rental apartments. Cunnane believes that builders who looked to condominiums as the answer to their profitability problems have been disappointed and that they are now turning back to rentals.

Still, John Townsend, vice president of the multifamily division of the big Korman Corp., which built 800 garden-apartment units in the Philadelphia area last year, believes that condominiums would become more attractive to the consumer if apartment rents were to seek their natural level in relation to costs.

Unlike many areas, Philadelphia has low vacancies—between zero and 5% in newer buildings, according to the latest Commercial Construction Markets Survey—and thus rents have been able to rise somewhat. Appraiser Paul Kallus estimates that rents have gone up about 10% to 15% a year; even so they have not kept pace with costs.

Industrial parks and shopping centers have lent impetus to the suburban movement, and there has been much activity in Chester and Bucks counties, Pennsylvania and Camden and Burlington counties, New Jersey. A new bridge across the Delaware River at Chester recently opened up the Glassboro, N.J. area to Philadelphia commuters.

"The apartment market in these areas is really supported by the cost of buying a home, which has gone up much faster than rents have," says Townsend.

Philadelphia has mounted some aggressive urban renewal programs to attract developers back to the city, and Korman is participating in two of these: The company is building garden apartments in the Eastwick area, out near the airport, and in downtown Philadelphia it is planning a 319-unit, 21-story high-rise in the privately funded Franklintown urban renewal area.

"Emotions played a big part in our decision to build the high-rise," says Townsend. "After all, if you have your choice between a project in the city and a good site in the suburbs, the suburban project will look better on paper. But here in Philadelphia even the people who live in the suburbs like the downtown area and support its renewal programs. Many of these people would like to come back to the city to live someday, and this gave us added incentive to participate in the renewal program."

PHOENIX

"There's no way in Hell you can run apartments and make a decent return"

	1972	1973
1st half	8,014	5,340
2nd half	7,105	4,186
Total	15,119	9,526

Phoenix vacancy rates seem to be attached to a fast-moving yo-yo. In mid '73, the overall Maricopa county vacancy rate was 10% to 12%; by March '74, it had dropped to 5% to 7%; now it's on the upswing again and is expected to top out at 10% to 12% by summer, and then drop to 8% to 9% by fall.

"These movements in the vacancy rate are fairly typical for us, but are nothing to be concerned about," says Bruce Terry, vice president in charge of First Federal S&L's mortgage department. "They are just normal responses to changing market conditions."

People pulled in their necks in buying homes in the last two quarters of '73, says Terry, because of tight money and uncertainty about the economy. At the same time, inward migration dropped from 900 families a month to 600 families a month, and apartment starts fell by more than 40% over the same period a year earlier because of high vacancies—particularly in far-out projects."

"All the people who've been coming into the town in the past six to eight months have been filling up these vacancies on the outer fringes. So they are having good times right now." But Terry foresees this changing in coming months.

One reason is the gasoline pinch: He feels the energy crisis has had a definite effect on people's willingness to drive long distances, but that the far-out projects haven't felt this changed attitude—yet.

Over the next eight months, about 2,000 new apartments will open, mostly on the outer fringes of the metropolitan area. These new units will also tend to increase vacancy rates for projects farthest away from shopping and employment centers.

What do these gyrations in the rental market do to profitability?

Terry says: "The last twelve months have been excellent, and the next twelve months will be pretty good. The rental market will soften, but almost everybody will still make money."

However, a major midwestern developer

who has built several Phoenix projects and is now out of the market comments thus:

"Our experience shows that in Phoenix you can make money selling land for multifamily use, and you can make money building apartment developments and then selling them. But there's no way in hell that you can run them and make a decent return."

Even if vacancies rise to 10% and 12%, Terry feels that most owners can live with it. "Projects in the right location, with schools, shopping and employment close by, are going to do well despite a high overall vacancy rate. Even now, some projects range from zero to 2% vacancy."

Statistics confirm that the local economy will support some increase in the supply of apartments. The reasons: 1) Inward migration continues at 500 families per month and up; 2) jobs in the Phoenix area increased 7% last year, while the unemployment rate hovers at a low 3.5% level (according to a report issued by Advance Mortgage Corp.).

But the exact rate of market absorption remains in doubt, as does the ability of builders to avoid the disastrously overbuilt situations of recent years. In 1972, for example, 37,664 permits for residential construction were issued but only 28,200 units were absorbed, says Advance Mortgage.

As a lender, Terry is optimistic. He says: "When a man comes in and tells us, 'I've optioned a piece of ground and I'd like to build a 250 unit project,' we'll definitely look at it.

"But the requirements are 1) the land must be close in to shopping, schools and major business and manufacturing centers; 2) we want a 25%-plus equity; 3) the developer must have a good track record. With these conditions met, we'll go with it."

Typically, the terms would be 9¾% to 10% on the construction loan plus three points. The permanent loan would be 9¼% to 9½% for a maximum of 25 years.

PITTSBURGH

It's taking a bit longer than it used to to rent up new apartments in Pittsburgh because a fair amount of overbuilding occurred during 1972 and 1973. A complex that previously would have been rented up by completion now takes a good year to fill up. But generally, vacancies are low—between 3% and 5%—and they will probably get even lower because few people seem to be building apartments in Pittsburgh these days.

The one exception seems to be in the western suburbs where a new airport attracted commercial development which was followed by sewer lines and now by apartment construction.

But for the most part, as in much of the country, the price and availability of money and the fact that rents are lagging behind costs have served to reduce starts. Another factor is Pittsburgh's high property taxes.

"I think that most builders are being conservative because they realize that they overbuilt a bit a couple of years ago," says Bob Johnston, executive director of the Builders Association of Greater Pittsburgh. "Also, a lot of apartments used to be built by outsiders, and outsiders are staying out because of the tax problem."

The tax problem, according to Johnston, stems from the fact that assessors base a building's value on what it cost to build rather than on the income it can produce.

"There's no sense in building new units until the rents on older ones are raised"

	1972	1973
1st half	2,793	2,574
2nd half	1,850	1,492
Total	4,643	4,066

And because the tax rates in Pittsburgh and the surrounding municipalities are high to begin with, the inflated valuations on new construction can cause real hardship.

Johnston tells of an eight-story building with rents ranging from $250 for a one-bedroom apartment to around $500 for a large three-bedroom apartment, for which taxes average around $1,100 per unit a year.

Developer William Marra of Wilmar Properties says that taxes account for 18% to 30% of his rents, which average around 28¢ a sq. ft. New construction, according to Marra, would have to rent at 34¢ a sq. ft. because of construction and financing costs.

"The existing market just can't handle rents at those levels because comparable apartments already on the market rent for less," he says. "So rents on older units would have to come up before it would make sense to build new ones."

The result, as in so many other places, has been a switch to condominiums. Whereas before there were only two condominium projects in the Pittsburgh area, seven or eight were started in 1973. There have also been a number of conversions.

"The more conversions there are, the fewer rental units there will be available for the public, so that should improve the rental market," says Stanley Arnheim of Arnheim & Neely, Pittsburgh's biggest property managers.

Roy Stoehr, senior vice president of First Federal S&L, points out that there has been little building of any type in the Pittsburgh area lately. He attributes this to decreased demand and to an 8% usury law that encouraged lenders to place their money out of state. The law was recently changed and the rate set at 2½% above the long-term government bond average that existed 60 days before. Thus, the February rate was 8¾% and the March rate 9%.

In February, construction money came down from 9¼% to 9% with a two-point fee. The bank is willing to make loans, but there have been few takers.

"Yields on rental projects run somewhere between 8.2% and 8.7%," says Stoehr. "It's really not enough."

SAN DIEGO

The San Diego County rental market is firming up rapidly after a period of high vacancies. And with the right management strategy, new apartment projects can show a positive cash-flow in the first year.

According to the FHA's local insuring office, the vacancy rate is under 7%, down from 10.2% in May, 1973.

"Demand is very strong," says Dan Epstein, vice president and general manager of the multi-family division of American Housing Guild, which is headquartered in San Diego. "It's fast becoming a very tight market."

There are several reasons for the turnaround: Apartment starts dropped drastically in the last three months of 1973 to as little as one-third the rate of prior months. Strong no-growth sentiment has killed or postponed some projects. Natural-gas hookups for suburban developments are restricted. Tight money and high mortgage interest carried into January, forcing many low-income condominium prospects to seek rental housing. And in the face of all these shortage-inducing factors, the current net annual increase in the county's 1.5 million population is running in excess of 40,000.

"Demand is very strong . . . We won't have any trouble showing cash-on-cash returns of 8% and better"

	1972	1973
1st half	10,284	5,986
2nd half	7,891	3,171
Total	18,175	9,157

Source: Advance Mortgage Corp.

Can you make money building apartments in San Diego? Definitely yes, says Epstein, but two requirements must be met.

First, the project should be assessed for taxes as early as possible during construction. This results in a first-year tax bill based on 25% to 50% of the project's eventual assessed valuation.

Second, rent-up must go quickly—one unit per day or better.

"If you rent-up at one apartment a day and you've got a low tax bill, you've got to make money the first year or the beginning of the second," says Epstein.

A fast rent-up is so critical to a positive cash-flow the first year that Epstein believes it's worthwhile to plan the project backwards, starting with a completion date in the fastest renting season. On the west coast the best months to open family models are April and May. A three-month rent-up should result.

For the adult market Epstein says the summer months are ideal, and spring is acceptable.

Epstein says that this one-two formula of low assessed valuation and a one-unit-per-day rent-up has produced cash-on-cash returns as high as 12% the first year.

However, he points out that a very large rental project is likely to have a slow rent-up rate. So a builder may wait two to three years before seeing positive cash-flow.

"Overall, I feel very comfortable about the San Diego market," says Epstein. "There's a lot of pent-up demand here, and I don't think we're going to have any trouble showing cash-on-cash returns of 8% or better."

American Housing Guild feels optimistic enough to be planning 1,000 to 1,500 rental units during 1974 in several markets. All projects will be sold to limited partnership investors.

SAN FRANCISCO

"We're running out of usable land, so apartments are often the only housing that makes sense"

	1972	1973
1st half	16,555	16,218
2nd half	14,067	7,849
Total	30,622	24,067

Source: Security Pacific Bank

After several years of overbuilding, apartment construction in the San Francisco Bay area dropped sharply in the second half of 1973. Now there are signs that it is picking up again, but observers expect only around 20,000 permits in 1974 as against 1973's 24,062 and 1972's 30,622.

In most of the Bay area, about 97% of permits get translated into starts. Condominiums are generally townhouses rather than apartments, thus do not affect the total number of multifamily permits significantly. In the city of San Francisco, however, close to half of the 3,865 apartment permits issued in 1973 were for condominium units. Two projects, both delayed by environmental and financing problems, accounted for 1,700—or nearly all—of the condominium permits.

There has been no overbuilding in the city itself, and vacancy rates are down to around 2% or 3%. Elsewhere, much of the overbuilding was tied to the opening of BART, the rapid transit system that links the city with Fremont-Heywood-Union City in the south and Concord-Pleasant Hill-Walnut Creek in the northwest. In these areas so many units were completed at one time that apartment vacancies stood at around 20% for a while. Vacancies have since declined substantially, and present estimates range from 8% to 13%.

In the South Bay area—San Jose—5,449 permits were issued in 1973 as against 5,630 in 1972.

Ted Gibson, assistant vice president of the Security Pacific Bank, estimates San Jose vacancies at 5% to 7% with isolated instances of higher rates in one section where he says development didn't make sense:

"There was no employment base, and much of what was built was really of low quality."

Throughout the whole Bay area, costs are the one big deterrent to apartment building, according to Jim Harbison, vice president and chief appraiser of Citizens Federal Savings and Loan Assn.

"Both rental and condominium builders are sitting back and taking a hard look at the market to see if they can really get the rentals and prices that they have to get in order to get a decent return," says Harbison.

A complicating factor is that all of the trades are renegotiating their contracts this year. So developers are worried that anything they start now may be delayed by strikes. At the same time, subcontractors are putting in higher bids in anticipation of higher payrolls.

But Gibson believes it is still economically feasible to build apartments in the Bay area:

"The housing demand is certainly there, and prices of single-family homes have gone up so much that it's difficult for many people to afford them. The Bay area in general is running out of developable land, and this causes many people to look at apartments or townhouses. In many of the sections that are close to transportation, apartments are the only housing that make sense."

Money is available, with permanent loans mostly in the 9% range and a few at 8¾%. Citizens Federal gets 1½ points for permanent loans and 2½ for construction loans. Quite often it also requires an applicant to put up a pledge savings account until the building reaches break-even.

Security National's construction loans are tied to the prime rate, which everyone expects to move down this year.

"You can see that construction loans will become a lot cheaper in the next few months," says Gibson, "but takeouts are a different thing. My guess is that 8½% is going to be the bottom on them."

SEATTLE

"Is the market strong enough to support the higher rents that are needed to offset rising costs?"

	1972	1973
1st half	455	1,155
2nd half	812	no data
Total	1,267	

Source: Real Estate Research Committee

Seattle's vacancy rates are low, its economy has made a strong recovery from the city's 1970-71 recession (when the annual unemployment rate stood at 13%), and builders and lenders are facing the future with cautious optimism.

Apartment starts in the first half of 1973 nearly equaled the 1972 total, while condominiums, which made up some 30% or 40% of multifamily starts during the downturn, now account for 15% or 20%.

The main problem seems to be that rents, which were cut during the apartment glut of three years ago when vacancies reached a high of 11.4%, have not yet returned to economic levels. This means that many projects with 100% occupancy are operating with a negative cash flow or just breaking even.

The problem will vanish if the trend to low vacancies continues. The Seattle Real Estate Research Committee reported a 4.2% vacancy rate in its fall 1973 survey and warned that this figure was distorted because four projects had had unusually high vacancies. Without them, the overall vacancy rate would fall to 2.8%, and in some areas such as Magnolia, Ballard, University, Mercer Island and parts of Madison Park, Wallingford and Bellevue, the Committee found occupancy was nearly 100%.

But for the moment, as Chuck Richmond, senior vice president of the Washington Federal Savings & Loan Assn. points out, it is hard to bring new projects on line because there are substantially lower rents existing in the marketplace. New units that must rent in the 29¢ or 30¢ a sq. ft. range are competing with comparable units renting for 22¢ or 23¢.

"It's something we're watching very closely as lenders," says mortgage banker Dave Ballaine, vice president of Continental, Inc. "We have to make sure that the market is strong enough to support the higher rents necessary to offset present construction costs."

Lenders are particularly wary about making large new loans after their experience in the 1970-71 recession.

"We were the ones who had to make the concessions to keep the major projects afloat," says Richmond. "If the builder had had an equity in the project and the loan hadn't been so high, we probably wouldn't have had such a struggle."

In the future the bank will look for deals where the builder puts up more than his construction profit. Says Richmond:

"We're not kidding ourselves anymore. We realize that the trend over the years has been that we're really financing 100% of the hard costs. Now we're looking to spread the risk."

S&L money would be available for construction at 9% to 9½% with 1½ points. For a combination of construction and permanent, the rate would be 8¾% to 9% with a total of 2 or 2½ points. The term would be 25 years.

Mortgage banker Ballaine said that insurance company money might be available at 9% for 28 to 30 years. Such a loan would cover 75% of the appraised valuation of a project.

Both lenders pointed out, however, that the biggest problem today is uncertainty and that everyone is hesitant about making commitments far into the future.

Developer Joe Roberts of Tri-Co Investments was one of the few people who kept building apartments during Seattle's recession.

"We were building primarily on the east side which is a more affluent area and not too affected by the Boeing lay-offs," he says.

Roberts concentrated on the over-$200-a-month market, which is still a good one. The Real Estate Research Committee report found the lowest vacancy rate was in apartments renting for $200-$249 a month (0.4%), followed closely by those for $250 and over (1.5%). (Conversely, the highest vacancy rate (7.7%) was in apartments renting for less than $100 a month.)

Roberts, who is just completing two major projects, is planning to start another two in the next few months. Most rents will be between 27¢ and 30¢ a sq. ft. One complex, which is located four blocks from the center of the fashionable suburb of Bellevue, includes washers and dryers, fireplaces, self-cleaning ovens, built-in bars, etc. in each unit and rents for 31¢ a sq. ft.

Financing for the project was secured from Massachusetts Mutual at 8¾% for 30 years with a one-point fee.

One reason for optimism in the Seattle market is the speed with which the city recovered from the 1970-71 recession. Boeing, which had about 110,000 employees at the start of the downturn, now has around 48,000, and, although it is still an important employer, the economy is no longer as dependent on it as it was a few years ago. A combination of state and local efforts has attracted many smaller employers to the area. One of these is the Alyeska Pipeline Service Company, which is headquartered in Bellevue, and the area is looking forward to an upsurge of activity in finance and shipping when construction begins on the Alaska pipeline.

ST. LOUIS

Pockets of strong and weak rental demand ring St. Louis, and lenders are questioning the short-term economic viability of new rental projects.

In northern St. Louis County the vacancy rate is as high as 10% to 12%, but the western end of the county is at 15% and the southern portion at 3%.

"About six months ago we divorced ourselves from rental apartment loans because we felt the market was glutted," says C. W. "Pat" McCready, vice president and appraisal consultant of Community Federal S&L, St. Louis' largest savings and loan association.

But now McCready and other St. Louis lenders are gradually gearing up to make loans for rental projects that will open in early 1975.

"In any new construction loan, we're going to be very cautious and stick to superior close-in locations. This means we'll probably stay away from north county," says McCready.

He is especially concerned about the short-term economic viability of new ventures.

"There is always a grave question whether a project will be able to carry itself in the beginning years. The very nominal rent increases we're seeing now just don't make up for the incredible increases in construction costs."

McCready cites instances where five-year-old projects still have not reached the rent levels that were originally projected by their builders six years ago. Typically, cash-on-cash returns range from 6% to 8% for older projects and zero to 5% for new projects.

"Sure, net yields are down, but that's not going to destroy the viability of rental housing"

	1972	1973
1st half	2,335	3,028
2nd half	3,014	2,488
Total	5,349	5,516

A leading St. Louis builder takes a more sanguine view. Says Donald Ham, a partner in Bruce Properties: "It is true that the net yield of new rental properties is going down because of higher construction costs, but that's not going to destroy rental housing's viability. You've got to look at the long-term profitability of a project.

"If we can operate our projects at a profit we are doing alright. But we don't stipulate how much profit is reasonable."

Ham believes you should examine the quality potential of a neighborhood, the rate of increase in its property values, and the slack in rent increases in years to come.

If Ham can foresee good rental-increase possibilities in four or five years, he considers himself in a sound position.

"There is really no correct answer to the question, 'what's a good return'. We have some projects making an exceptional return right now, but they may not appreciate down the line. And we have some other projects that are just breaking even which we think are extremely good long-term investments because of refinancing and resale possibilities."

Ham's confidence in rental housing's future is reinforced by his company's current experience. Market demand is extremely strong for two new projects now renting up. During February both projects—Southmoor and Mansion Hill—generated the highest traffic flows and closing ratios the company has seen in five years. Of qualified people—those really interested and ready to sign a lease—almost 50% are closed. "We're now booming along at a rate of about one-and-a-half closings per day for each project," says Ham.

He notes that the company's closer-in projects, such as one in the Kirkwood area, have been receiving increased attention from the public in the past month. Ham attributes this directly to the energy crisis.

"I've talked to a lot of real-estate brokers who tell me that there is a strong emphasis on close-in, single-family houses," says Ham. "All of a sudden the farther-out, single-family areas that were very strong have dropped off, and the not so popular areas closer in have experienced a big surge."

TAMPA/ST. PETERSBURG

The Tampa-St. Petersburg rental market is in flux, to put it mildly.

Last year the vacancy rate moved up from 2.9% to 5%; now it's even softer due to a heavy backlog of starts just coming on the market. But even if the vacancy rate hits 9% in the second quarter of this year, it is likely to plummet thereafter.

"Demand for apartment loans has dropped off quite a bit," says Norman Halsey, a senior loan officer for St. Petersburg First Federal S&L, the area's largest lender. Builders see the softness in the market and they are cutting back. But the biggest reason is that it's really tough to get permits to build multifamily in most sections that are near major roads, shopping and business centers."

"Everything in the last six months has been thrown into turmoil with water and sewer moratoriums and other restraints on building activity," says Richard Funch, head of market research for First Federal.

Builders are currently offered 10,000 water permits for the unincorporated sections of Pinellas County. That's only one-quarter the number of permits issued in 1972.

The result, says Halsey, will be a marked decline in rental vacancies. And even though the condominium market is currently soft, it won't be helped much by a tight rental market.

"Even with 5% down payments, many young couples cannot afford condos which typically cost $36,000 and up. Single-family houses usually cost $40,000 and up. As a result, a lot of people are going into mobile homes," says Halsey.

"Water and sewer moratoriums have thrown everything into turmoil"

	1972	1973
1st half	14,203	18,854
2nd half	15,427	16,508
Total	29,630	35,362

Another reason for the impending tight rental market in the medium-rent range is very heavy in-migration.

"The current in-migration rate is 600 people per week according to a General Electric market study we commissioned," says W. Rudy Thigpen, president of Real Estate Investment Co., which is just starting to construct a single-phase 456-unit rental project in Clearwater.

"The medium price market, 24¢ to 28¢ per sq. ft. for one- and two-bedrooms, is going to be fantastic," says Thigpen. His market breaks down into two categories: 1) empty nester retirees 48 to 60 years old and 2) young working couples without children. Both groups tend to be employed in the commercial and light-industrial centers that have sprung up in recent years in Tampa and north St. Petersburg.

"Opportunities for new construction will gradually improve because new water and sewer facilities will be installed over the next two years," says John R. Kronsnoble, vice president of The Financial Corp. of North America. The company is about to start construction in Clearwater on a 506-unit rental project to be phased over three years.

What kind of net yields do Tampa-St. Petersburg projects show? Builders and mortgage bankers say it depends on the strength of rental markets in specific neighborhoods.

As examples, investment builder Jenard Gross cites two area projects which have just been completed.

"Our project at St. Petersburg Beach is getting higher rents than we projected. So this will allow us to get a big enough loan on phase two to proceed and still get a 16% to 17% return.

"On our Clearwater project, our rents are not any better than we projected. If we went ahead with phase two we'd only get a 10% return. So we're going to defer construction for a while."

In January and February the gasoline shortage brought apartment rentals to a halt. "People were just afraid to drive," says Gross. "They weren't about to go apartment hunting if they weren't sure of enough gas to get to work."

By mid-March the gasoline situation had improved markedly. "People still tend to favor the close-in projects," says Norman Halsey. "But the gas lines have pretty much disappeared now, so rent-ups are starting to pick up again."

WASHINGTON D.C.

Statistics on multifamily starts in the Washington, D.C. market are misleading. Fully 75% of the 16,417 apartments started in 1973 were condominium rather than rental units, according to the latest Commercial Construction Markets Survey. With vacancies down to the 2% mark it is obvious that something is drastically wrong with the Washington rental market.

The problem is threefold: financing, rent control and moratoriums.

"About three years ago it became uneconomic to build rental apartments in the Washington area," says Henry Bouscaren, senior vice president of the National Permanent Federal Savings & Loan Association, which has a substantial percentage of its loan portfolio invested in apartments.

"Today we would probably get around 9¼% interest, which would give a 10-plus constant. Not too long ago we were talking about a 9¼% or 9½% constant, and I guess apartment developers could live with that. If we ever get back to that level apartments will probably become economic again."

It will take more than cheaper money to make rental apartments attractive in the Washington area, however. All of Maryland and many of the Virginia suburbs as well as Washington D.C. itself have rent control laws that hold rents down while costs are soaring. The price of utilities—which is generally included in the rents—has risen so sharply, for example, that one developer estimates that this alone has added $500 a unit to his annual operating costs.

"For three years it has been uneconomic to build rental apartments in the Washington area"

	1972	1973
1st half	9,996	9,945
2nd half	9,642	6,472
Total	19,638	16,417

Builders who found that they couldn't make money with rental projects quite naturally turned to condominiums—and in the process they bid all available garden-apartment land up so high that rental projects will never be economic on those sites.

In fact there was very little land available for building in the Washington suburbs to begin with, because town after town had enacted sewer and other moratoriums to halt building. As a result, development has pushed farther and farther out from the city, and this has meant still another problem: the energy crisis.

John Weatherby, director of development for the big Washington area builder Thomas P. Harkins, tells of a 747-unit garden community in Gaithersburg, Md., just outside Kettler Brothers' new town of Montgomery Village, that had been 95% occupied until January. Then, all of a sudden, occupancy plunged to 89%. The company found that people were moving closer to the city.

"We have tried to counteract this by putting in bus service, and we think that things will pick up in the spring," says Weatherby. "But the market appears to be soft in the Montgomery Village area."

Consumers will have trouble finding rental apartments closer in, however, because Washington has been perhaps the top market in the country for condominium conversions. But this may change now that new laws, calling for such things as relocating existing tenants before a building can be converted, take effect.

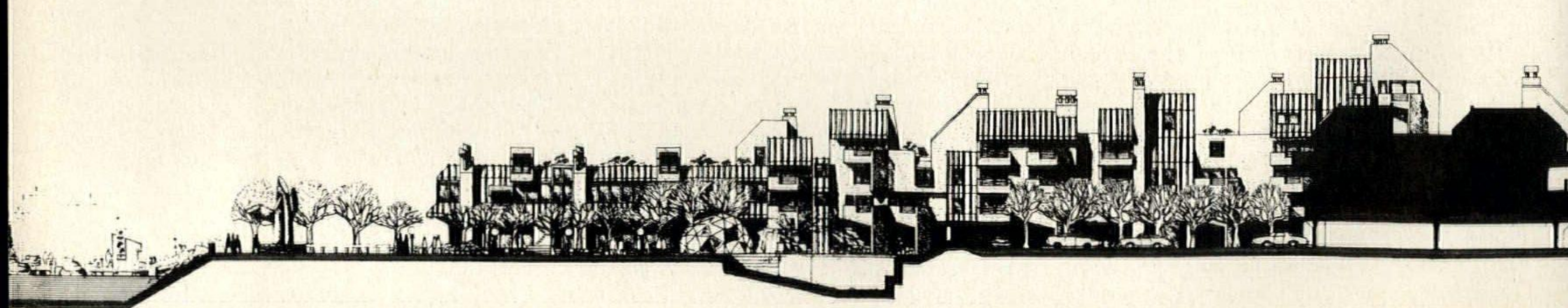
—Natalie Gerardi
—Michael J. Robinson

How to rent up in a tough market

And it is a tough market in most sections of the country, as you've seen from the preceding 15 pages. So if you do plan to build apartments, you've got to reach for every possible marketing advantage. This doesn't mean gimmicks. It means studying your market carefully and intelligently, then developing solutions for problems or conditions that are peculiar to your specific situation. On the pages that follow are three case studies that illustrate just that approach. All the projects are in areas where many other rental projects are in trouble—often big trouble. All are doing well in spite of this.

—JUNE R. VOLLMAN

CASE STUDY NO. 1: A tight village plan draws tenants to a schizophrenic site

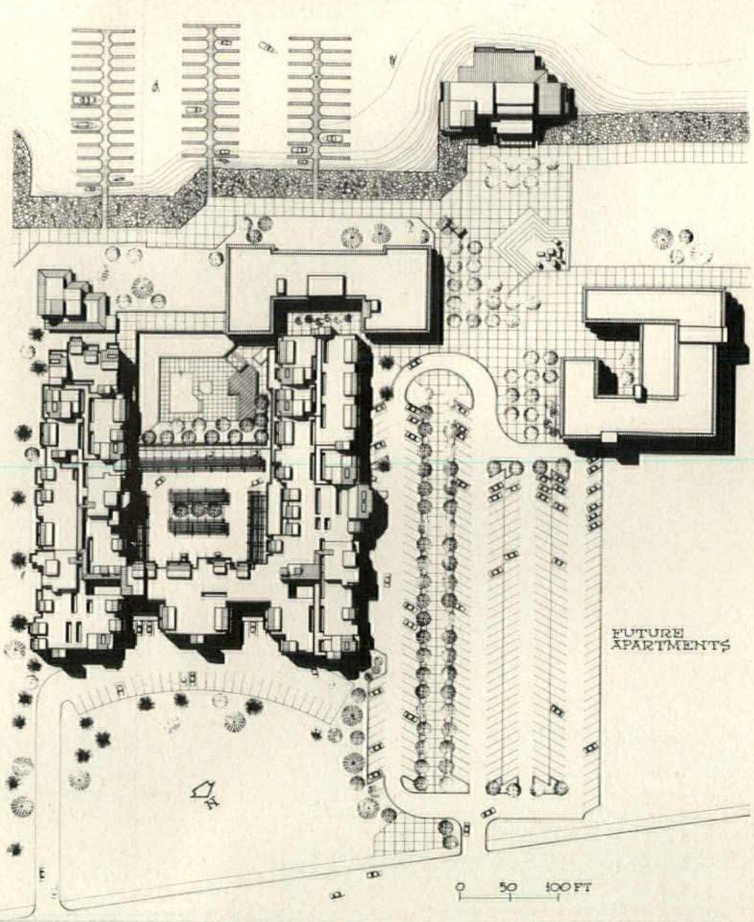


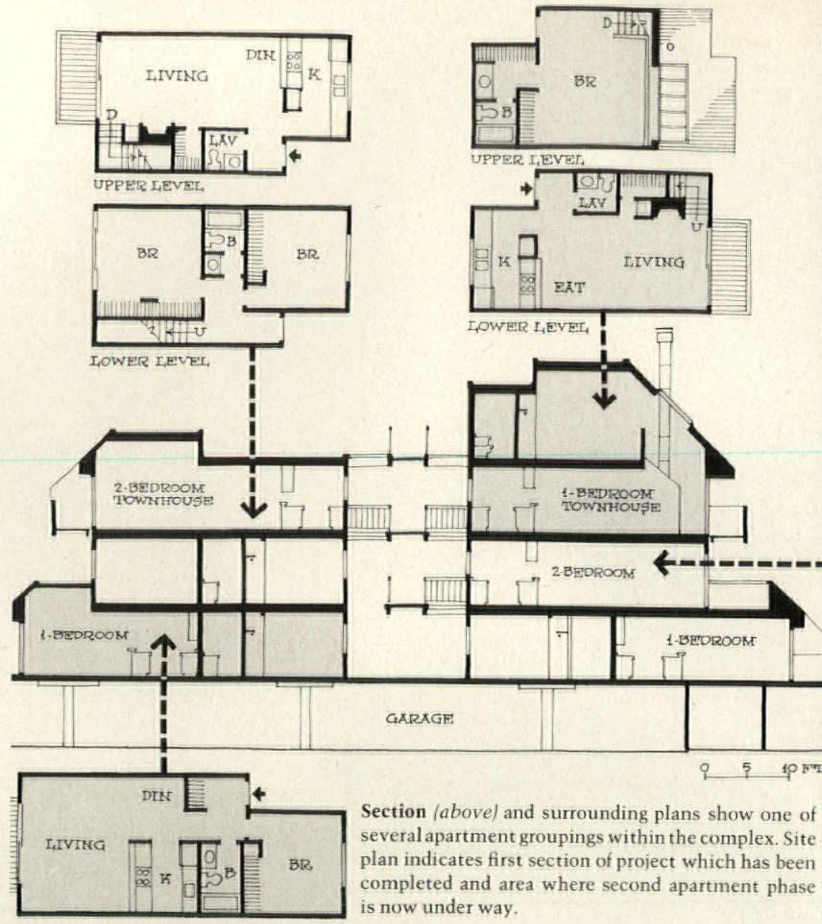
JEREMIAH O. BRAGSTAD

Looking at the rent-up record of Portobello—90% of its first 200 units were leased two months after the project opened—it's hard to believe that anyone ever doubted its feasibility. But there was a question, raised by the site's split personality.

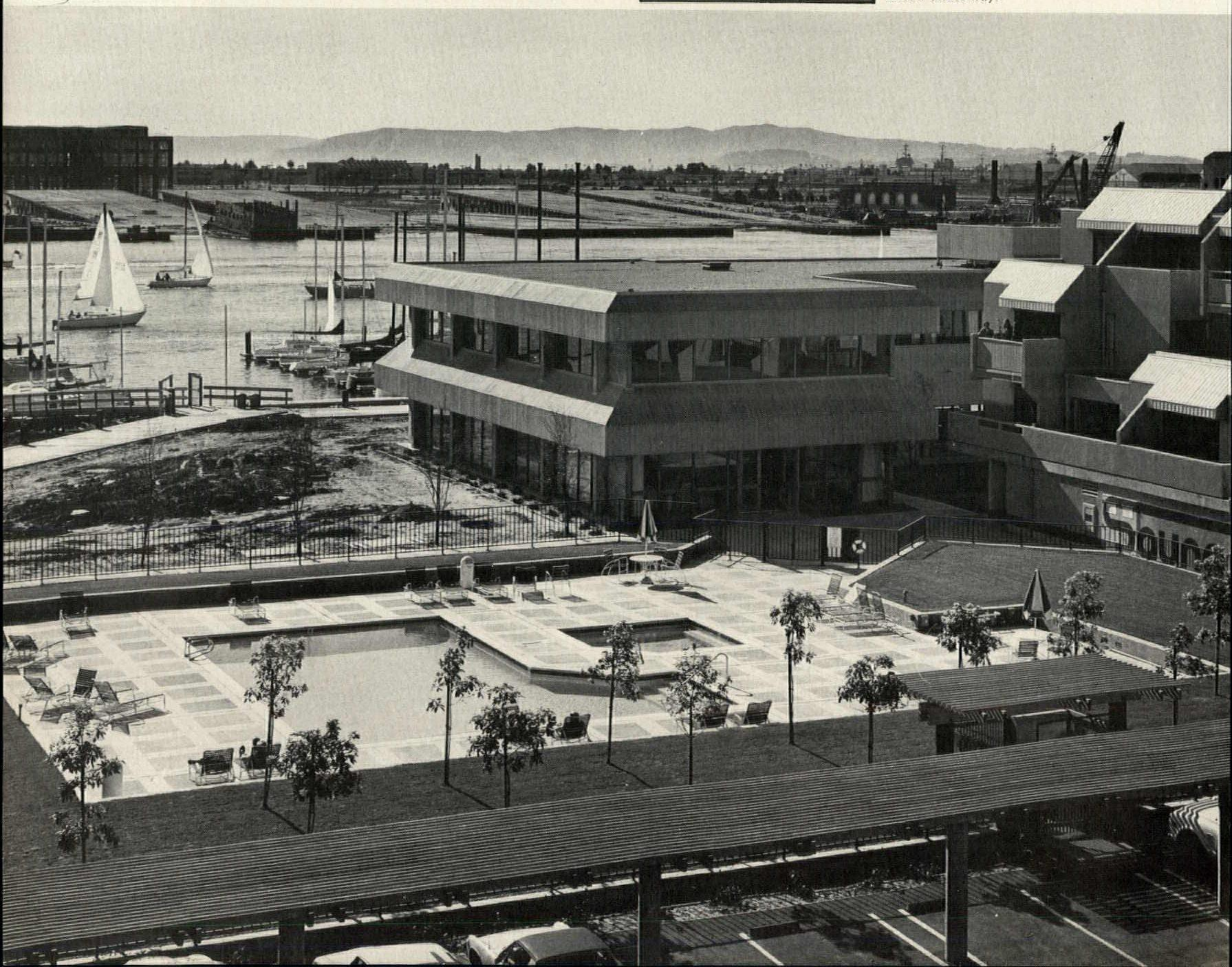
On one hand, the waterfront location was ideal: excellent highways and public transportation to Oakland and San Francisco, a large college within an eight-minute walk and nearby cultural and recreational facilities. On the other hand, the 30-acre site (a former freight yard) is hemmed in by industrial buildings, and nearby railroads posed potential noise and vibration problems.

To capitalize on the assets and solve the problems Portobello was designed along the lines of a Mediterranean village with tightly-knit buildings turned toward the water and buffered from the railroads by parking areas, berming and landscaping. And since the project was to include not only 800 apartments but 250,000 sq. ft. of office and store space, the buildings themselves were designed so that residential and nonresidential usages would not conflict. This design quality, says project manager Brian Smith, is what attracted a variety of tenants (singles, empty nesters, prominent professionals) at rentals of $185 to $360. Developer: Grubb & Ellis Development Co. and Santa Fe Railway Co. Architect: Donald Sandy, Jr./James A. Babcock. Feasibility consultants: Daniel, Mann, Johnson & Mendenhall.

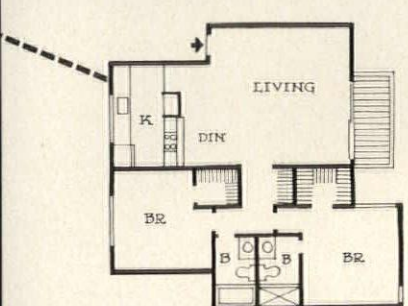




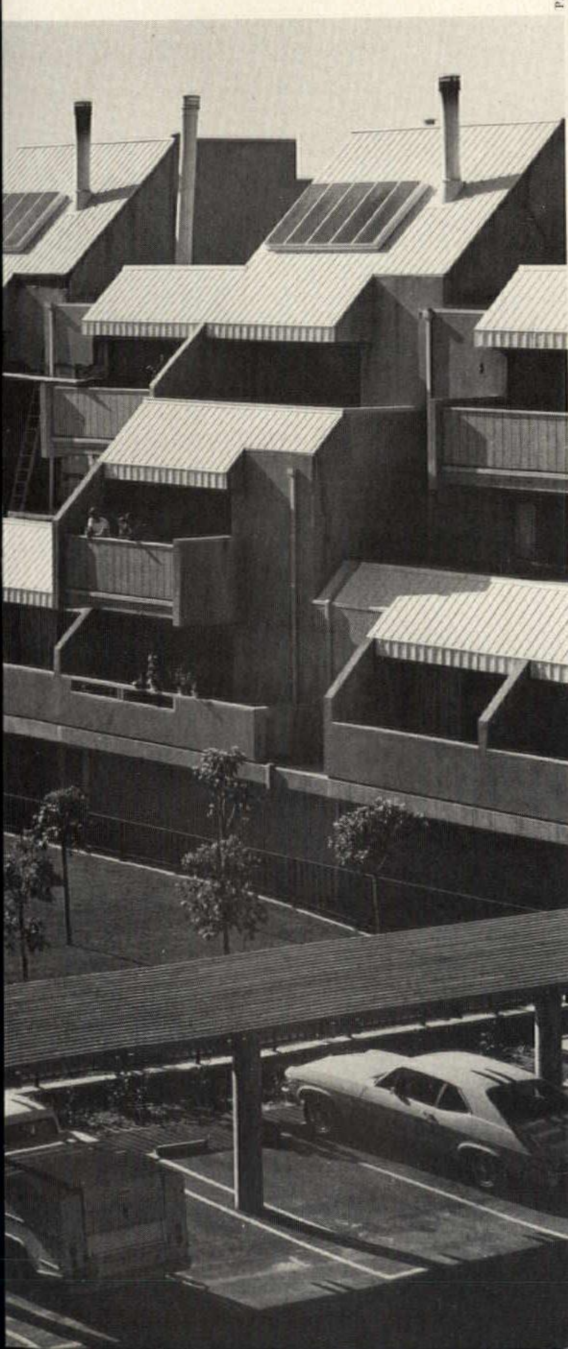
Section *(above)* and surrounding plans show one of several apartment groupings within the complex. Site plan indicates first section of project which has been completed and area where second apartment phase is now under way.



Top-level units *(above)* have vaulted ceilings with skylights *(photo, bottom of page)*. Photo at right shows a double-loaded outdoor entry corridor.



PHOTOS: JEREMIAH O. BRAGSTAD



Typical interior *(below)* is designed to provide an optimum view of the waterfront. Sliding glass doors in all living rooms open to terraced balconies like those shown at left.

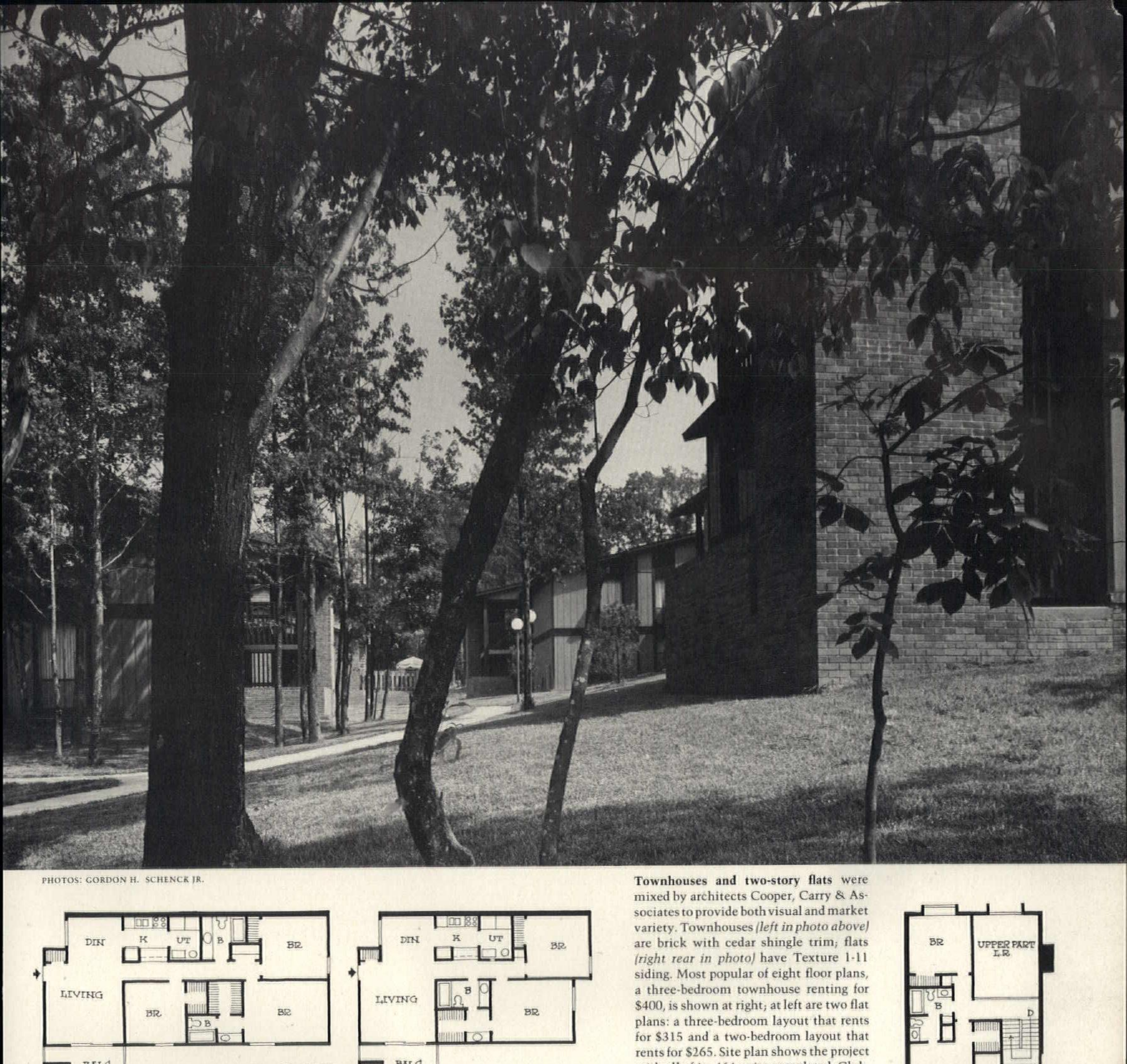
Swimming pool *(photo, far left)* is part of a recreational package that also includes a clubhouse, tennis courts, bicycle paths and a fleet of sailboats for tenants' use. Over 90% of the completed commercial space has also been rented. A restaurant will open this spring.

CASE STUDY NO. 2: A broad unit mix provides a bigger market to draw from

It's traditional in Greensboro, N.C. to aim apartment projects at separate segments of the rental market: young marrieds, singles, empty nesters, etc. YesterOaks, shown here, is a deliberate—and successful—departure from this tradition.

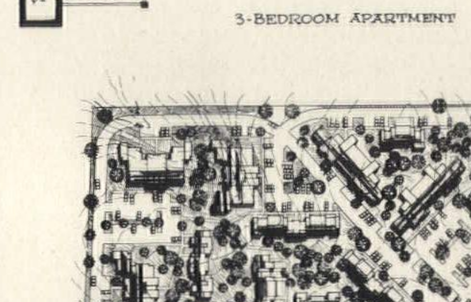
Developers Kirkman & Koury decided that a project designed for a broad mix of tenant types would be their best bet in a market saturated with rentals and burdened with a 15% vacancy rate. And their strategy paid off: 203 of the 214 completed units have been rented by young families, established executives and empty nesters.

Two other factors loom large in YesterOaks' success: The project's environmental quality, apparent in the photos shown here, and the fact that there are apartments for upper income renters, a previously neglected market.



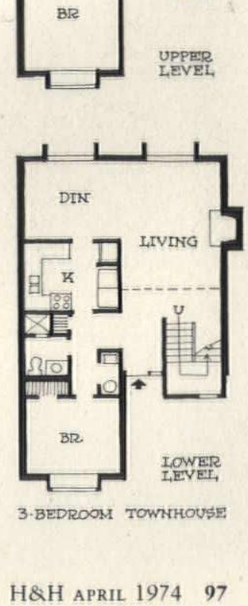
PHOTOS: GORDON H. SCHENCK JR.

Townhouses and two-story flats were mixed by architects Cooper, Carry & Associates to provide both visual and market variety. Townhouses *(left in photo above)* are brick with cedar shingle trim; flats *(right rear in photo)* have Texture 1-11 siding. Most popular of eight floor plans, a three-bedroom townhouse renting for $400, is shown at right; at left are two flat plans: a three-bedroom layout that rents for $315 and a two-bedroom layout that rents for $265. Site plan shows the project with all of its 464 units completed. Clubhouse is shown in the photo at far left, facing page.



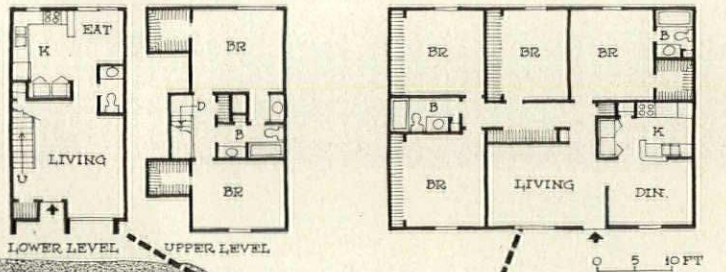
3-BEDROOM APARTMENT

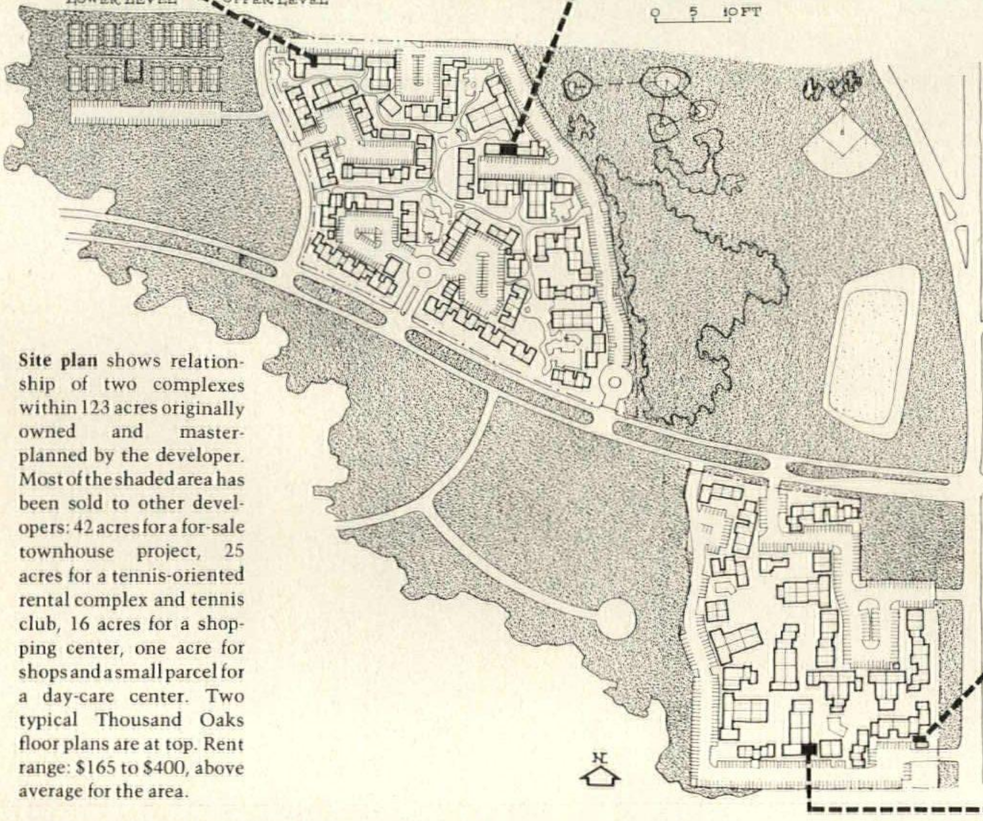
2-BEDROOM APARTMENT



3-BEDROOM TOWNHOUSE

CASE STUDY NO. 3: A suburban ambience attracts people in an urban area



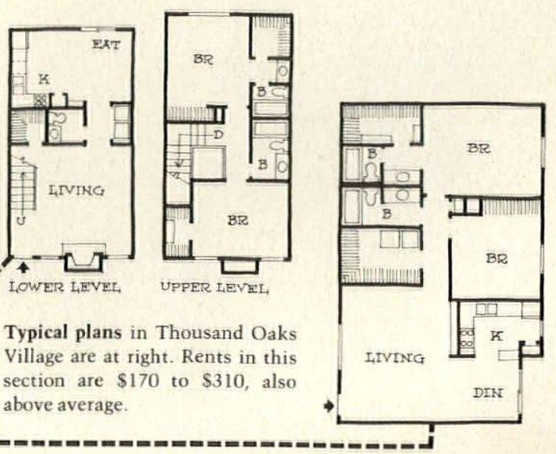


Even though they're in highly urban Houston, these twin projects, Thousand Oaks and Thousand Oaks Village, have a truly suburban flavor. For one thing, overall density is roughly 18 units an acre, as compared to Houston's average of 33. Then, buildings are interwoven into the site's natural landscaping. Stucco and wood sidings have replaced the traditional and urban-looking Houston brick exteriors. And finally, the projects are part of a 123-acre site specifically designed by the developer, Columbia Properties, to create a large-scale suburban feeling.

Thousand Oaks, a family-oriented complex *(photo, above)*, was built first. Its 29 buildings are clustered in five compounds. All units were rented when it opened in 1972 and occupancy, currently at 95%, has never been below 92%. (At present, the vacancy rate in the immediate area is about 18%).

About a year ago, Thousand Oaks Village *(photo, facing page)*, a 200-unit adult community, was opened. Its wood-sided buildings are 90% rented.

Site plan shows relationship of two complexes within 123 acres originally owned and master-planned by the developer. Most of the shaded area has been sold to other developers: 42 acres for a for-sale townhouse project, 25 acres for a tennis-oriented rental complex and tennis club, 16 acres for a shopping center, one acre for shops and a small parcel for a day-care center. Two typical Thousand Oaks floor plans are at top. Rent range: $165 to $400, above average for the area.



Typical plans in Thousand Oaks Village are at right. Rents in this section are $170 to $310, also above average.

PHOTOS: MURRAY GETZ

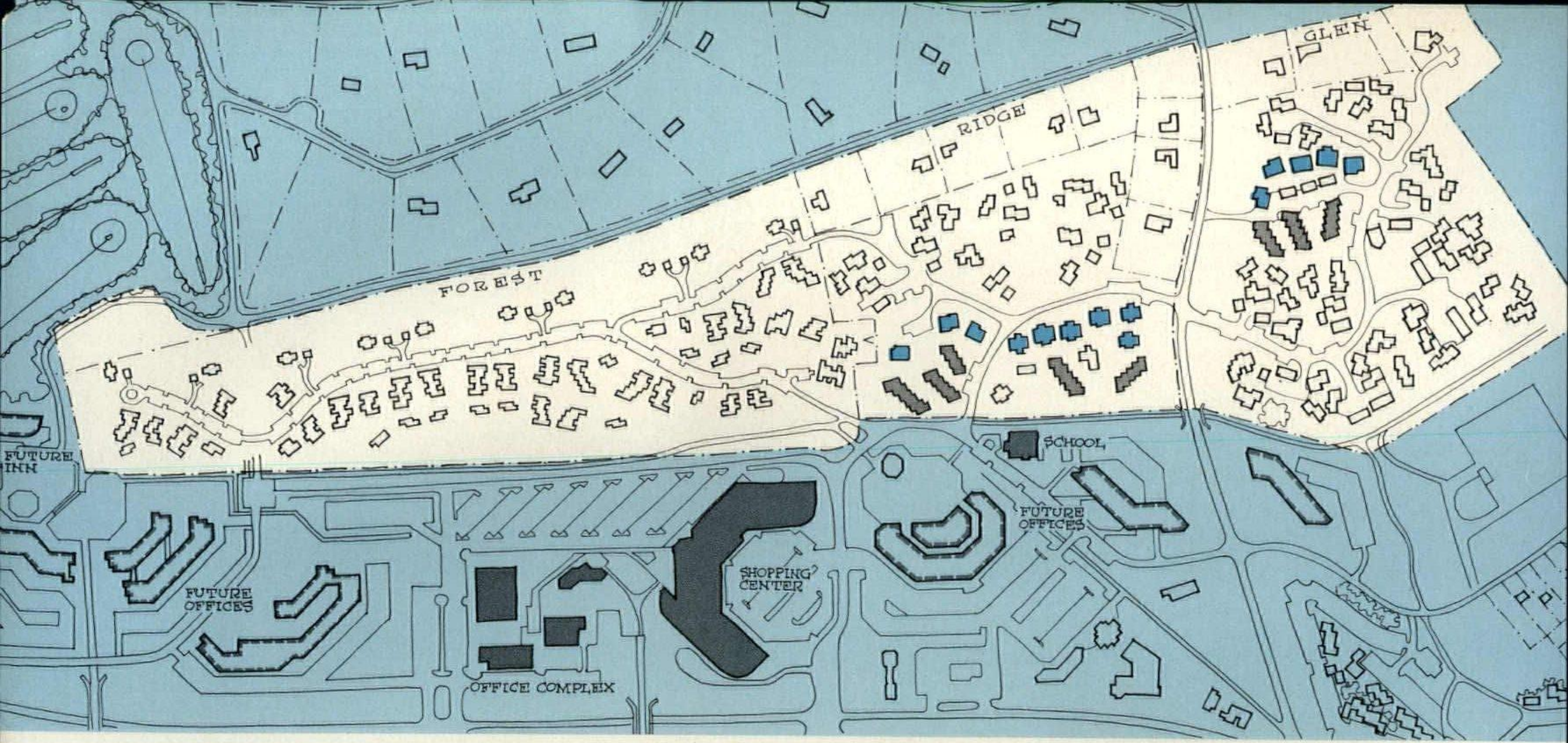
Amenities at Thousand Oaks Village include a swimming pool and clubhouse. Similar facilities are available at Thousand Oaks, as are a mini-bike trail, dog-walking area, several play areas and pedestrian underpasses.


NORMAN MCGRATH

PROJECT PORTFOLIO 17

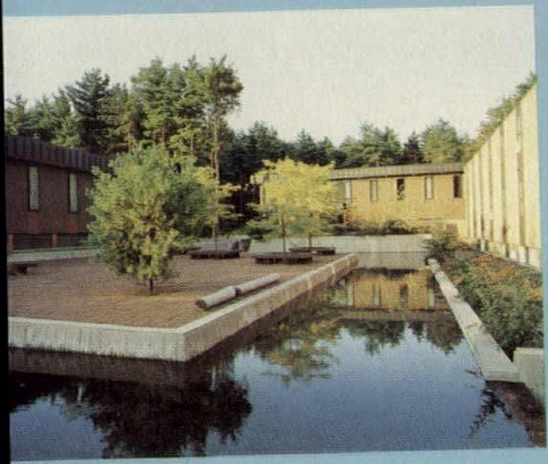
PROJECT: Talcott Village
LOCATION: Farmington, Conn.
OWNER/DEVELOPER: Talcott Village Co.
ARCHITECT: August Rath
PLANNERS: Callister, Payne, Bischoff
LANDSCAPE ARCHITECT: James Minges
SITE AREA: 164 acres
NUMBER OF UNITS: 101 rental garden apartments; 180 rental townhouses; 128 condominiums
RENTAL RANGE: $270 to $625
PRICE RANGE: $35,500 to $50,500

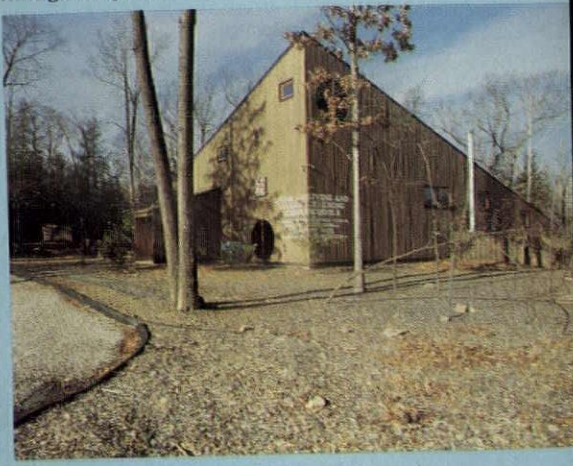
Talcott Village is a rarity—a chiefly rental project with the environmental excellence of the best for-sale PUDs. The developer took this approach because of the market he hoped to attract—professionals and supporting staff from a huge nearby medical complex. Many of these people would be staying in the area for such a short time that renting would be preferable to buying, yet they would expect the same level of amenities as in a for-sale project. The unexpected result has been that even though the medical center is way behind schedule, Talcott Village has attracted many other renters, including commuters to neighboring Hartford (15 minutes away). Vacancies don't exist, and there's a waiting list for the rental units now under construction. The project's condos also are selling as fast as they are completed. Other features include an office complex, commercial center, day-care school. In the planning stage are a theater, 300 room inn and conference center, health club and golf course.



The major residential area of Talcott Village *(white section in site plan)* is being built in three stages. The first—101 Ridge rental units—was completed in 1969; the second—128 Glen condos—is 80% complete; and the third—180 Forest rentals—is about 25% complete. Single-family homes *(top of plan)* were built as buffers to counter resistance to the project from owners of adjacent homes. Bright blue buildings are four-plexes, the project's only single-level plan. Pale blue buildings are the townhouses seen below and at the bottom of the opposite page. Existing non-residential buildings are dark blue; dotted lines indicate future non-residential buildings.

Talcott Village's office complex *(left, below)*—three buildings with 78,000 sq. ft. of space—was begun in 1960 to house the developer's engineering firm and to provide space for companies that would be working with the neighboring proposed medical complex. The commercial area *(center, below)* is scheduled to open this fall. It has 100,000 sq. ft. of store space on the main level and mezzanine plus 140,000 sq. ft. of office space on the two upper floors. The living-learning center *(right, below)*, a day-care facility for pre-school-age children, was built close to the residential area and can be easily reached via pedestrian pathways that run through the project.

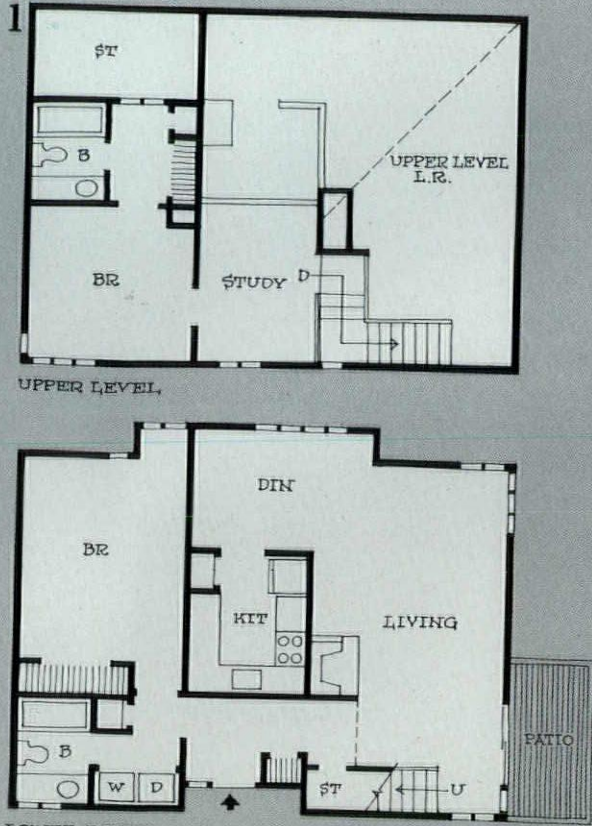




Typical units in the first two sections are shown below and on the opposite page. Architecture and floor plans for the rental and condominium units are identical, although the condos are slightly larger. The lush landscaping and mature trees are important elements of the project's overall planning concept, which was to create a feeling of long-established mini-neighborhoods linked together by a series of pedestrian pathways into a cohesive community. The photo on the opposite page shows a typical cluster from the road leading to garages; below is a view from one of the pedestrian paths, which also link the residential areas to the commercial and business sections.

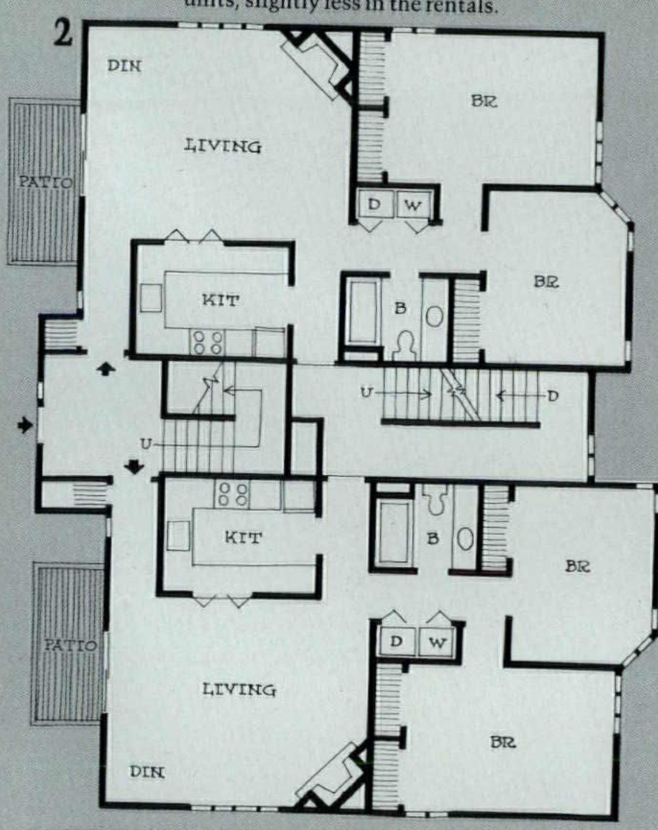
PHOTOS: NORMAN MCGRATH

1



Five of the six floor plans offered in both the first rental and the condominium areas include: **(1)** a two-level, two-bedroom model with study that rents for $410 or sells for $49,500; **(2)** a single-level, two-bedroom plan renting for $290 or selling for $35,000; **(3)** a three-level, two-bedroom-plus-loft plan that rents for $415 or sells for $46,900; **(4)** a two-level, two-bedroom model renting for $410 or selling for $46,500; and **(5)** a two-level, two-bedroom plan renting for $390 or selling for $44,900. The areas of these units range from 914 to 1,725 sq. ft in the for-sale units, slightly less in the rentals.

2



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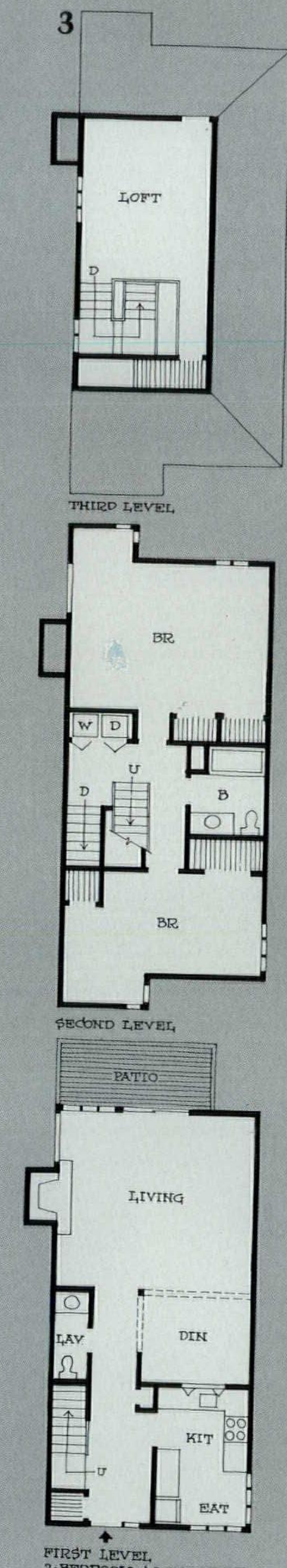

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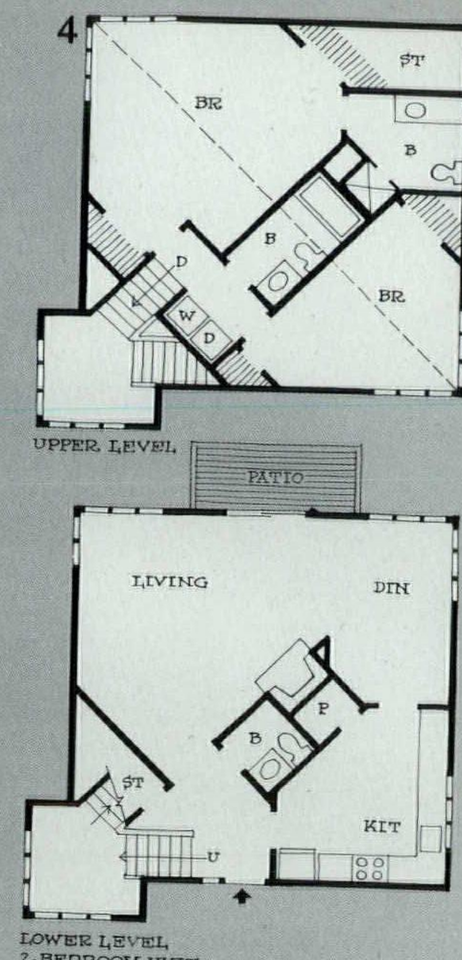

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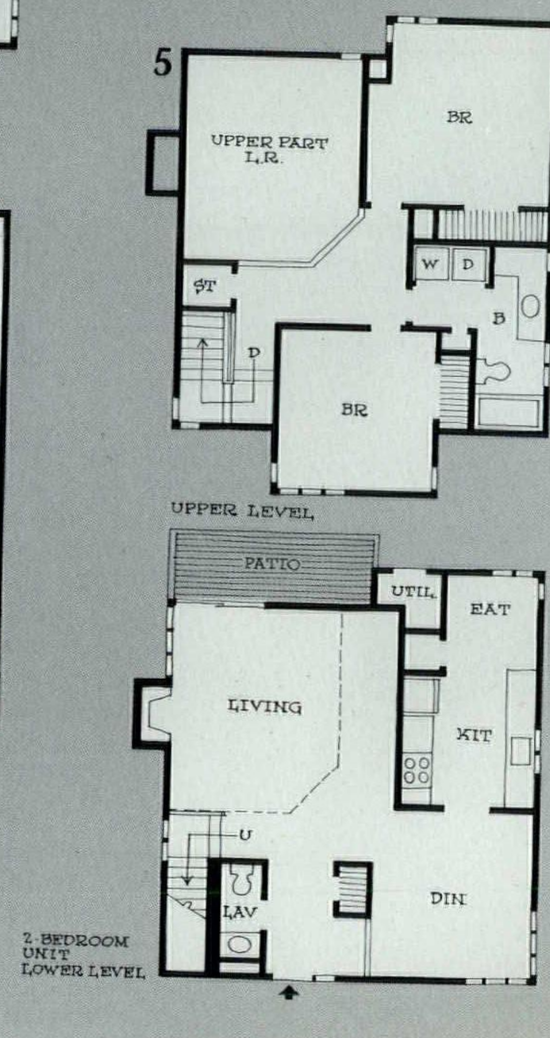

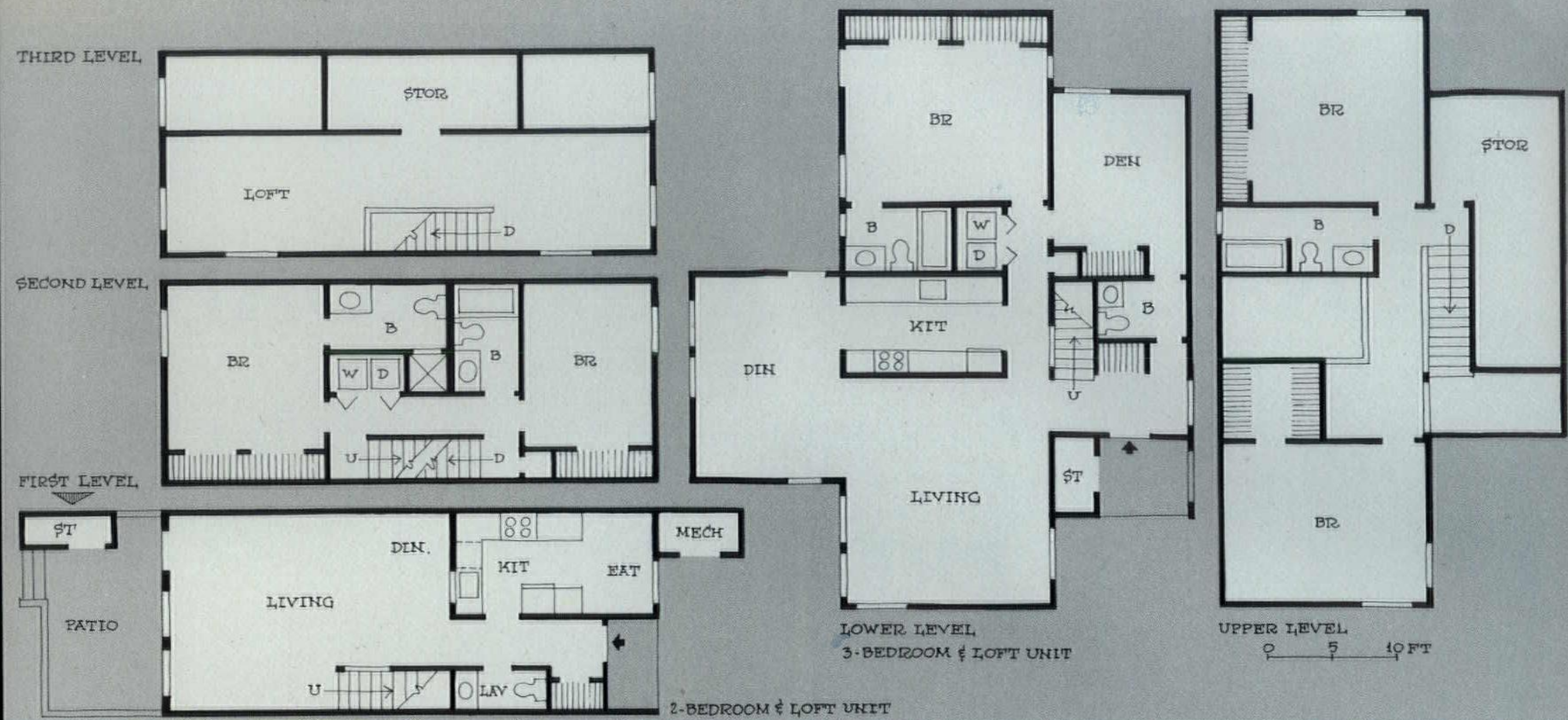

The newest rental section in the project features changed building and unit designs, but continues the practice of clustering units in mini-neighborhoods. Five plans are offered in this section. Above, left is a tri-level unit with two bedrooms at mid-level and space for two more on the third. Rent: $435. Above, right is the most expensive rental unit in the project, a two-level, three-bedroom plan renting for $625. Not shown is the project's only one-bedroom plan, a two-level layout that rents for $270. The developer reports that larger units are not renting exclusively to families, but often to several singles looking for a home-like environment with rental conveniences.

NORMAN MCGRATH

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Temple's new textured primed panels solve many traditional siding problems—with a look that's tradition itself.

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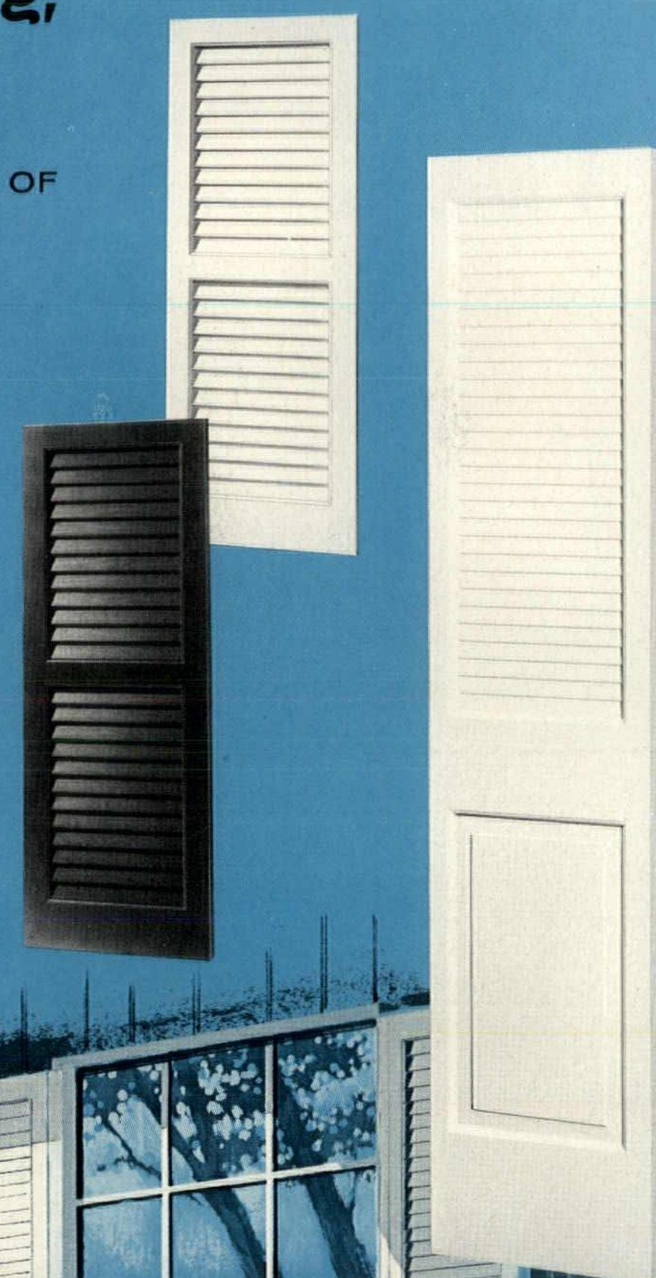

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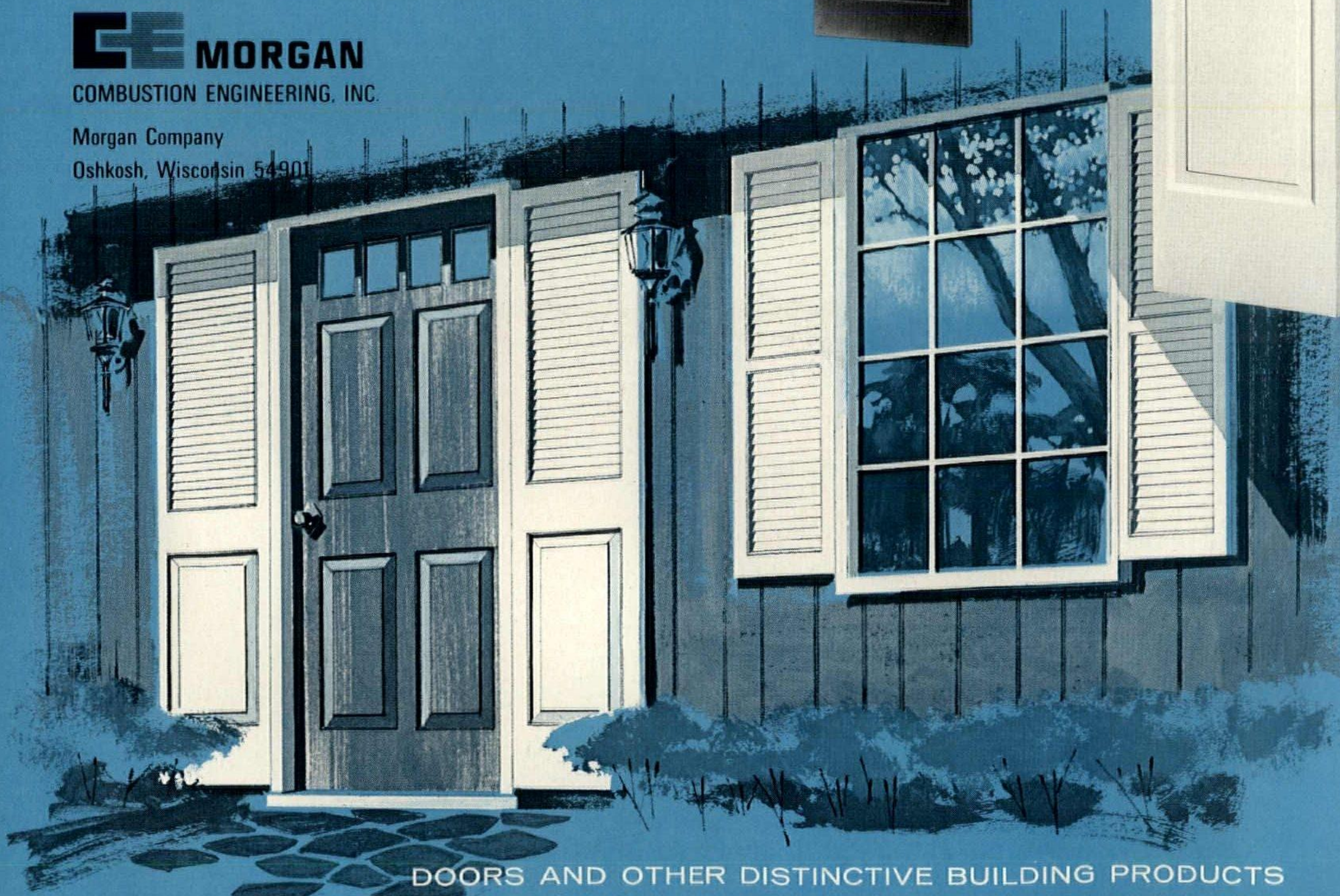

DOORS AND OTHER DISTINCTIVE BUILDING PRODUCTS

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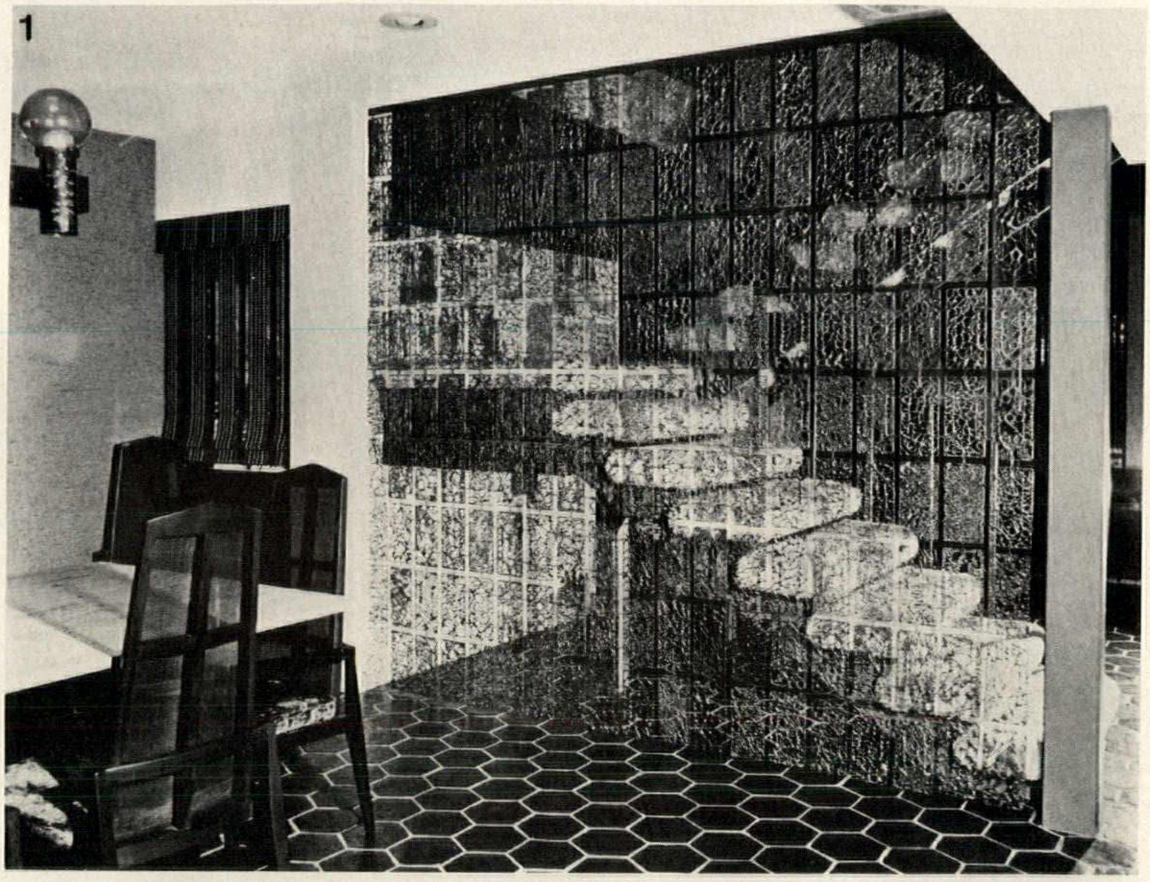
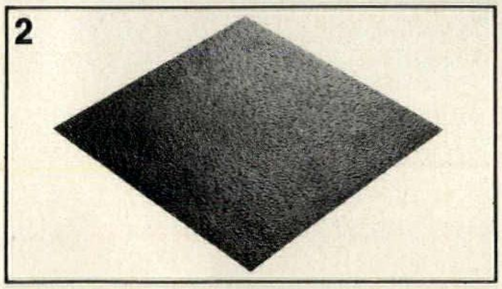
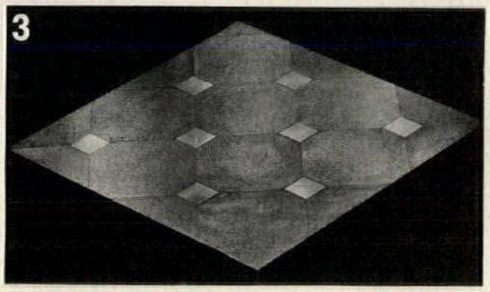
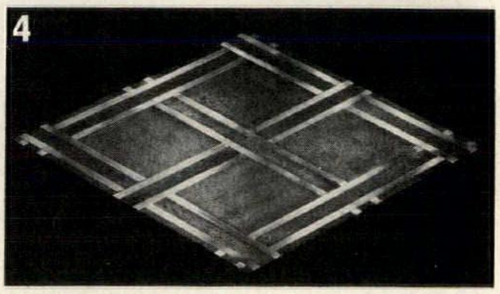
Genuine bronze accents are durable as well as decorative

Contemporary interior accents with a classic look, Ultrabronze™ genuine bronze floor and wall tiles and open-work panels add elegance to any area. The open-work "Filigree" panels designed primarily for spatial dividers are available in 5" squares and 5" x 10" rectangles. The choice of shapes plus a selection of patterns provides unlimited design versatility for see-through dividers **(1)** and wall arrangements. Balanced panels are easy to install and connect using standard clips. Metalpebble™ floor tiles, especially suited to heavy traffic areas, have bronzed surfaces metalurgically bonded to copper bases. The wall tiles with the same construction feature a lacquer finish. Surfaces on both have a three-dimensional pebbled texture highlighted against various backgrounds. Easy-to-maintain, stain and corrosion resistant tiles come in a range of sizes and styles. Included in the group is the standard pebble texture **(2)**, diagonally set "Classic Keystone" **(3)**, "Tri-Stripe Basketweave" with stainless steel stripping **(4)**, Marie Antoinette basketweave, a herringbone pattern and Jeffersonian parquet. Furcotex, Seabrook, N.H.
CIRCLE 265 ON READER SERVICE CARD



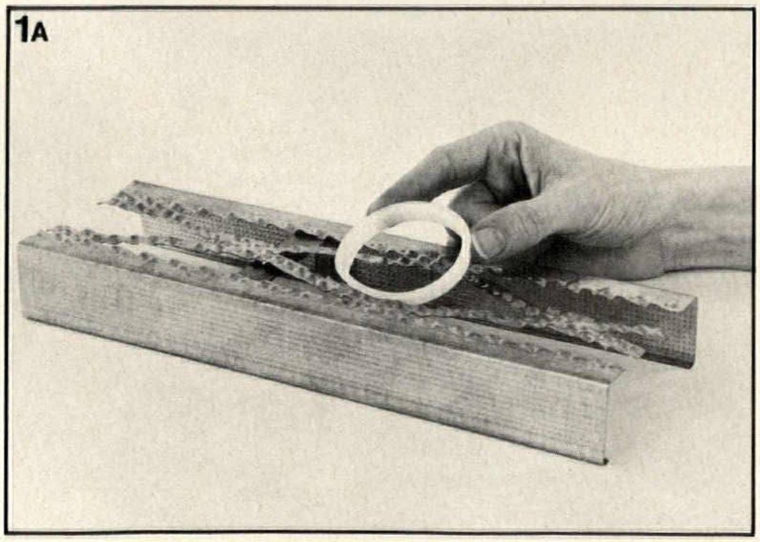


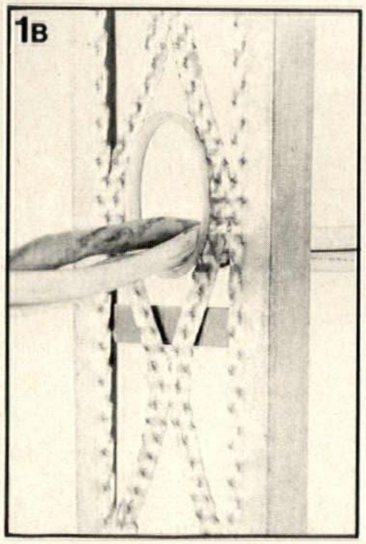


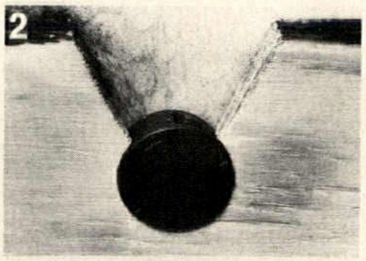


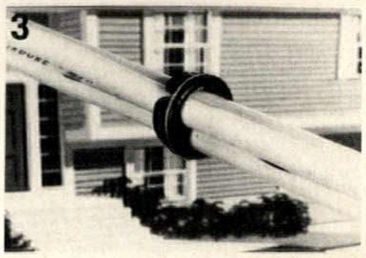
Nylon bushings insulate and protect wiring

Flexible nylon insulating bushings are designed for use with steel stud framing. The easy-to-install **(1A)** snap-in bushings protect vulnerable plumbing and electrical lines from sharp metal edges **(1B)**. Versatile units can be fitted into rectangular, oval, angular or slotted holes on O.D. sizes ranging from 1¾" to 2¼" by simply squeezing. The self-extinguishing bushings are UL-listed. Also in the line of nylon construction specialties are two size vent plugs, hole plugs for closing ½" to 1½" openings **(2)**, open/closed bushings with side openings for insulating ⅜", ½" and ⅞" holes **(3)** and 56 sizes of snap-in bushings for insulating 3/16" to 3" diameter holes. Heyman Mfg., Kenilworth, N.J. CIRCLE 266 ON READER SERVICE CARD









A Bird Architect® 70 roof improves the landscape as much as it protects the home.

The subtle earthtone colors blend in naturally with sky, trees, terrain . . . everything from formal gardens to rugged wilderness. Which helps move single homes faster, and gives apartments and condominiums more curb appeal.

The thick rustic texture reminds you of wood shakes. But it's premium quality asphalt. Which won't rot, warp, or burn like wood. And costs considerably less.

Bird Architect 70's are backed by a 25-year prorated guarantee covering materials and initial cost of installation. Their weight: approximately 345 lbs. per square.

Look into a total Roofscape by Bird for your next job. It can help clinch the sale!

The best dressed homes wear Bird.

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Bird & Son, inc.,
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House & Home—April '74

Please rush me Roofscaping information on Bird Architect 70 Asphalt Shingles.

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Company ______________________

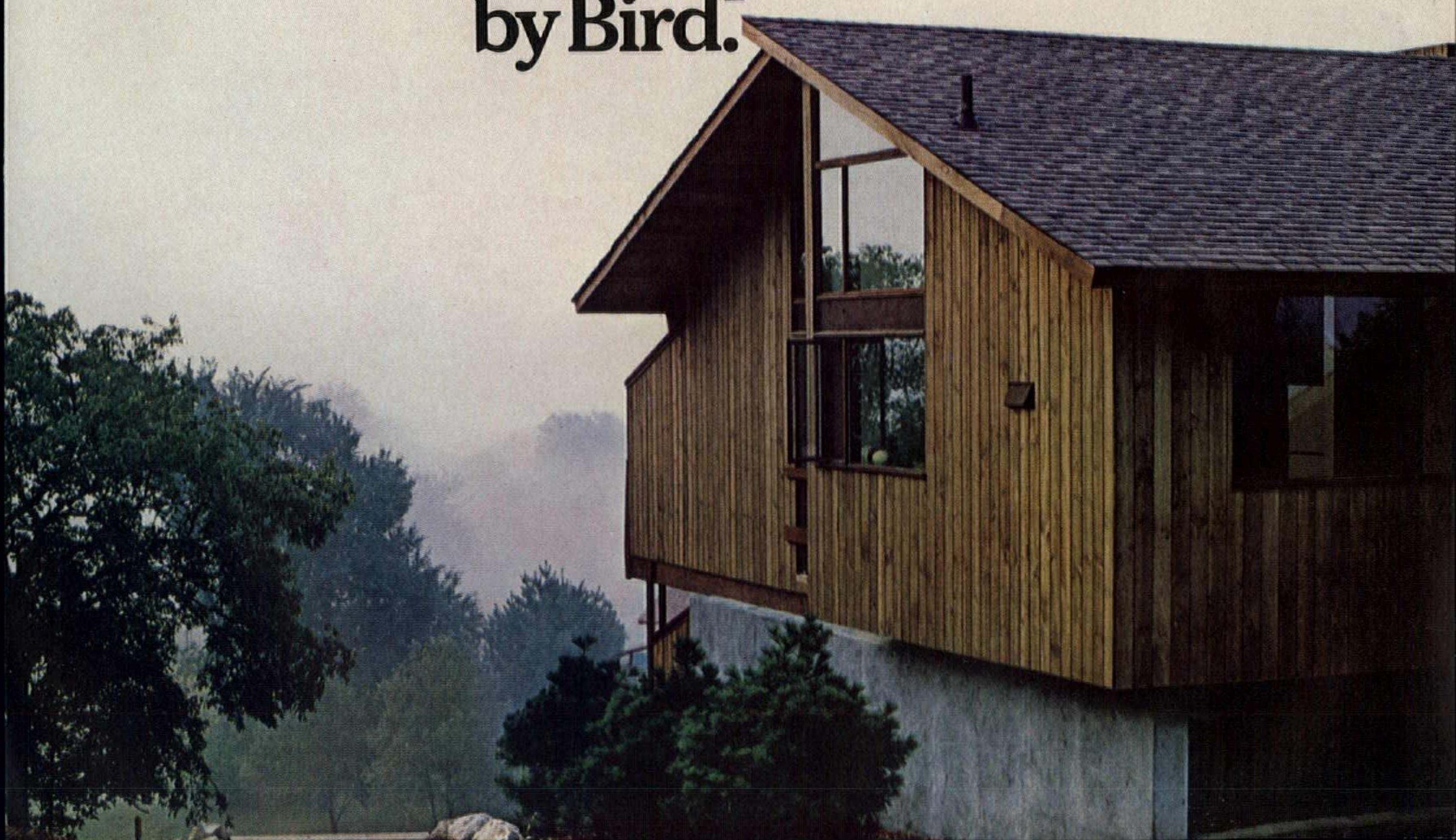
Street ______________________

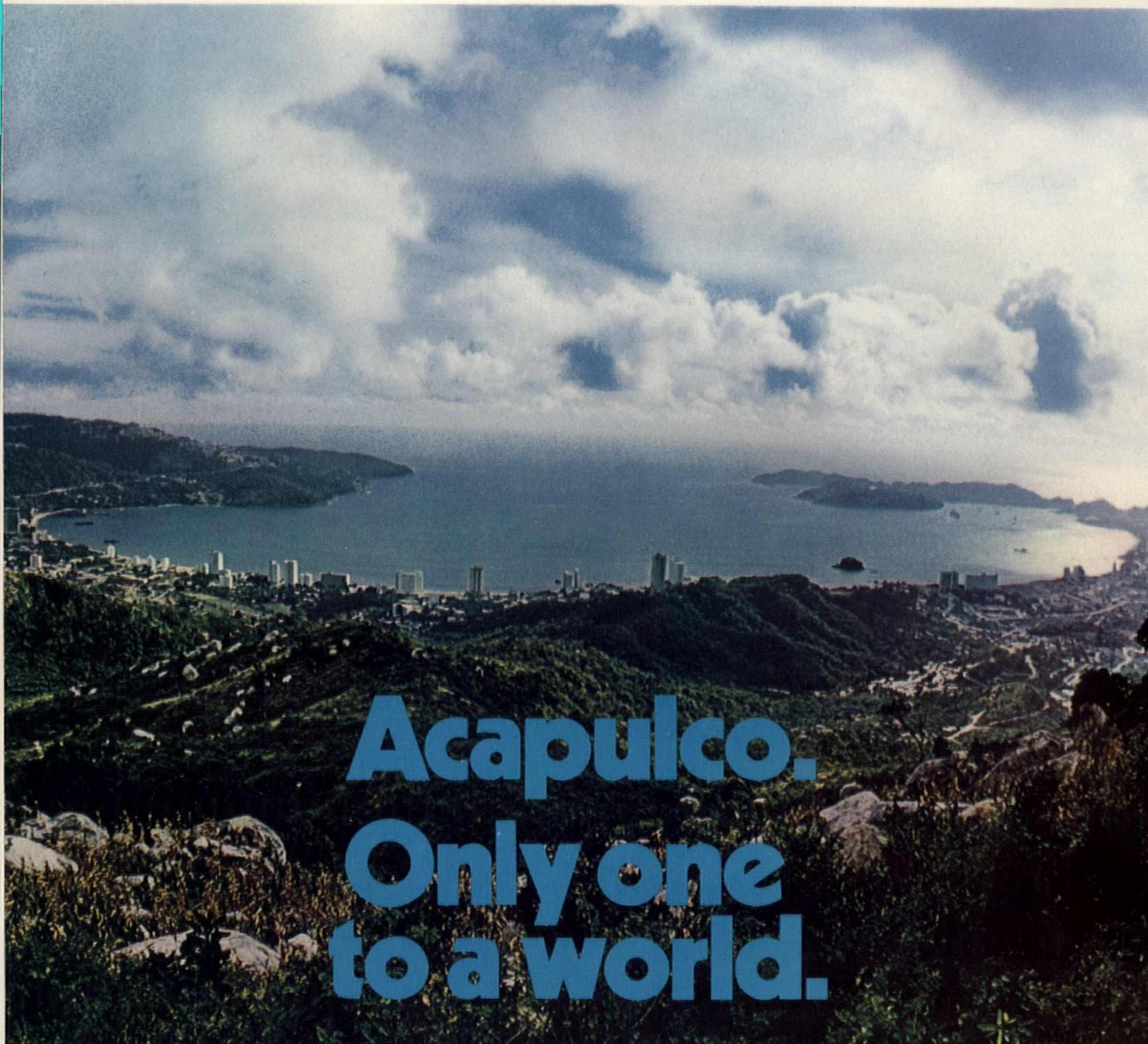
City ____________ County ____________

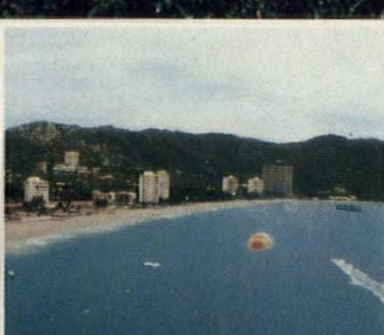
State ____________ Zip ____________

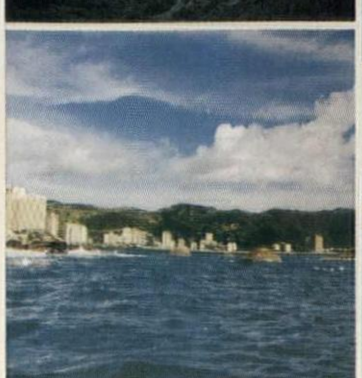
CIRCLE 110 ON READER SERVICE CARD

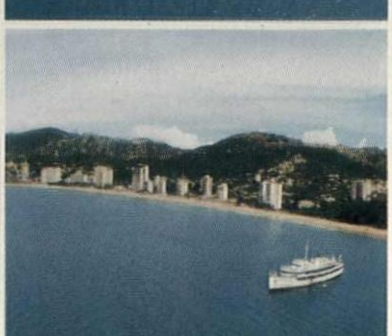
Roofscape™ by Bird.

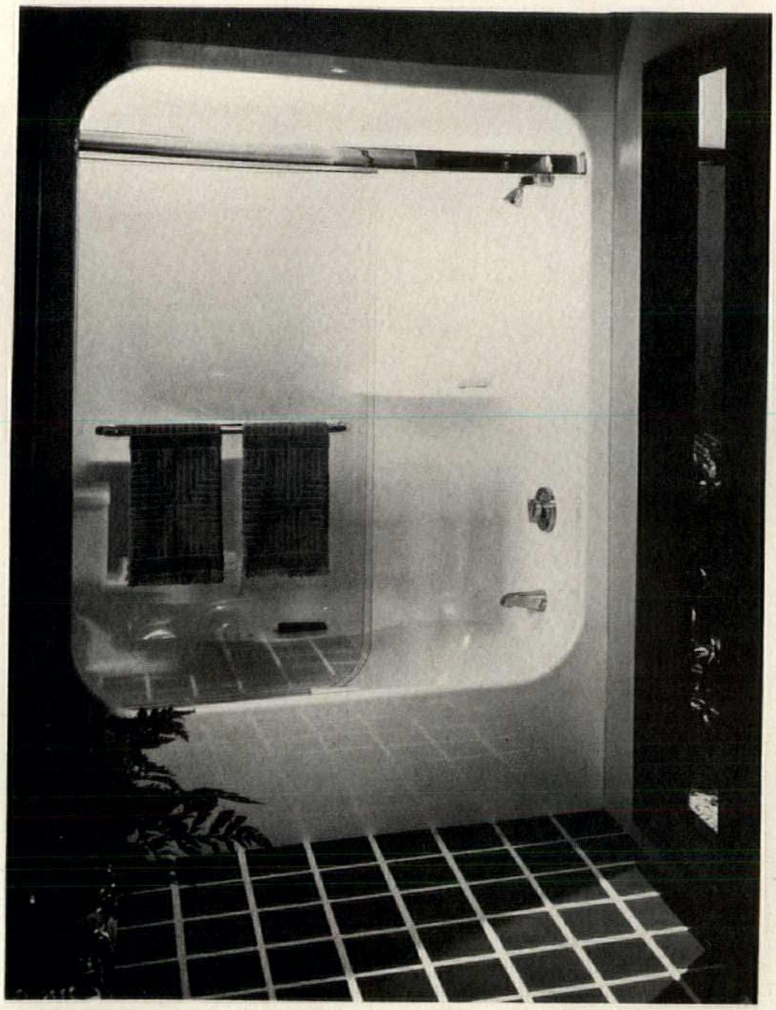


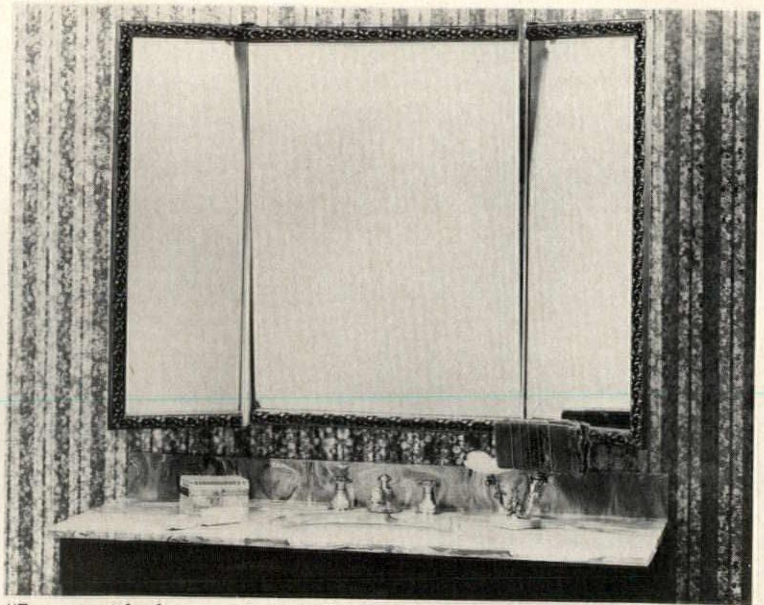

Acapulco.
Only one
to a world.





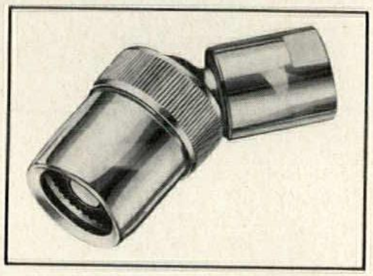




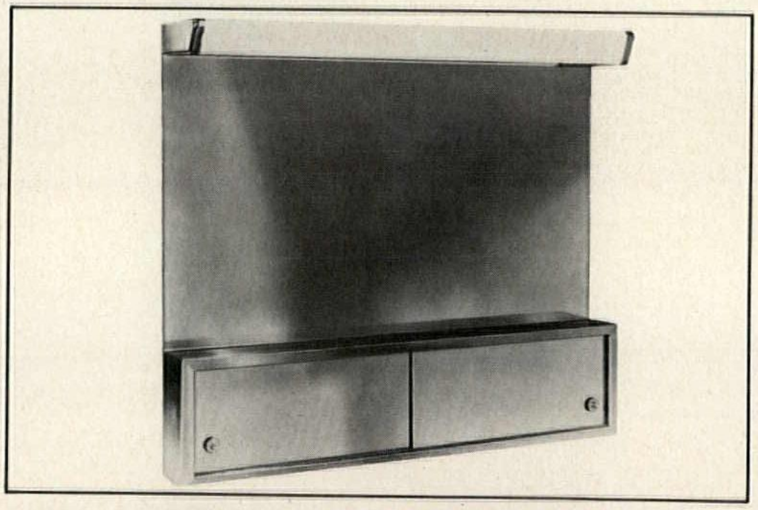


"Four-way" bathroom mirror and cabinet features an adjustable center panel that tilts forward or backward to facilitate grooming. Unit also has an adjustable mirrored panel on each side that swings out from surface-mounted twin cabinets. Thomas, Louisville, Ky. CIRCLE 201 ON READER SERVICE CARD

One-piece bathing module *(left)* is thermo-formed of colorfast acrylic reinforced with a flame-retardant backing. The seamless, 60" tub/shower combination, available in five colors, incorporates a non-slip base, walls, ceiling, a built-in seat and an integral soap dish and shampoo shelf. Fiat, Cincinnati, Ohio.
CIRCLE 200 ON READER SERVICE CARD



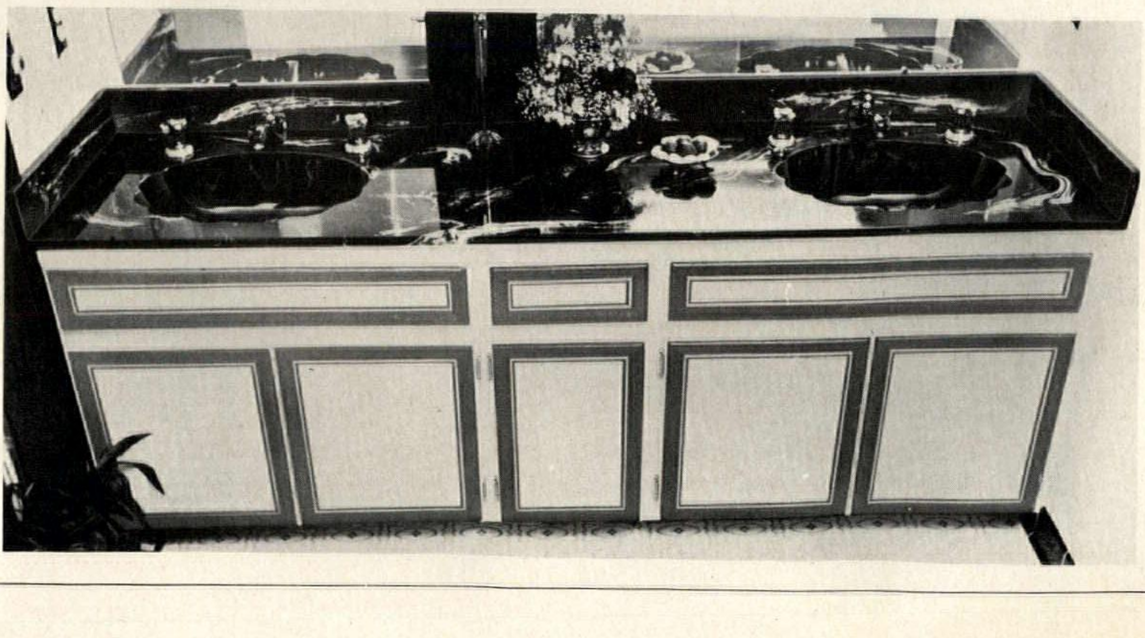
Solid brass economy showerhead *(above)* features a removable face plate. The "Model 101" delivers between three and five gallons of water per minute at 40 PSI. Similar "Model 10-2S" has a "Dole Flow Control" that regulates water flow to two gallons per minute at all pressures. Chatham, Linden, N.J.
CIRCLE 202 ON READER SERVICE CARD



Modular mirror-vanity ensemble is easily surface mounted. First, the vanity is positioned and fastened. Then the mirror is placed into a slot in the vanity, and finally the light is secured over the top of the mirror. Faries-McMeekan, Elkhart, Ind.
CIRCLE 204 ON READER SERVICE CARD

Series of bath exhaust fans, "Front-Line", consists of three quiet-operation models for wall or ceiling mounting. The deluxe "V233" unit with a 70 CFM capacity and the 60 CFM economy model "V220" feature decorator styling. The "V229" with a 50 CFM rating has louver grills. Chromalox, St. Louis, Ill.
CIRCLE 203 ON READER SERVICE CARD

Cultured marble vanity tops are available in single and double bowl models with shell-shape *(shown)* or oval bowls. Ranging in size from 17"x19" to 22"x120" the stain and impact resistant tops are offered in a wide selection of standard and custom-blended colorations. Acorn Marble, Walled Lake, Mich.
CIRCLE 205 ON READER SERVICE CARD



The way a cookie crumbles...

tells you a lot about the safety of C-E Arm-R-Clad® tempered glass

Patio doors three to five times stronger than ordinary glass mean built-in safety. But equally important is the extra protection should breakage happen. C-E Arm-R-Clad tempered glass crumbles into small pebbles instead of shattering into dagger-like shards. Chances for serious injury are minimized.

C-E Glass expertise in tempering techniques assures uniform tempering throughout.

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CIRCLE 115 ON READER SERVICE CARD

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People in every income group know that it stands for quality. They know, too, that if you didn't cut corners in the kitchen, chances are good you didn't compromise on the construction details they *can't* see in your home or apartment.

And there are some other definite advantages to you *as the builder* after you turn over the keys. Whirlpool accepts full financial responsibility for servicing products in keeping with our simplified warranty letters.

Whirlpool pays franchised Tech-Care service companies promptly for any in-warranty service required. (Out of *our* pocket; not yours.) And we maintain a toll-paid telephone line to dispense service information to consumers day or night. (So they'll call *us*, instead of you.)

All in all, it makes sense to specify Whirlpool appliances for your next home or apartment project. Give your Whirlpool Distributor a call now. The earlier the better. And make sure the "sell" starts in the kitchen!

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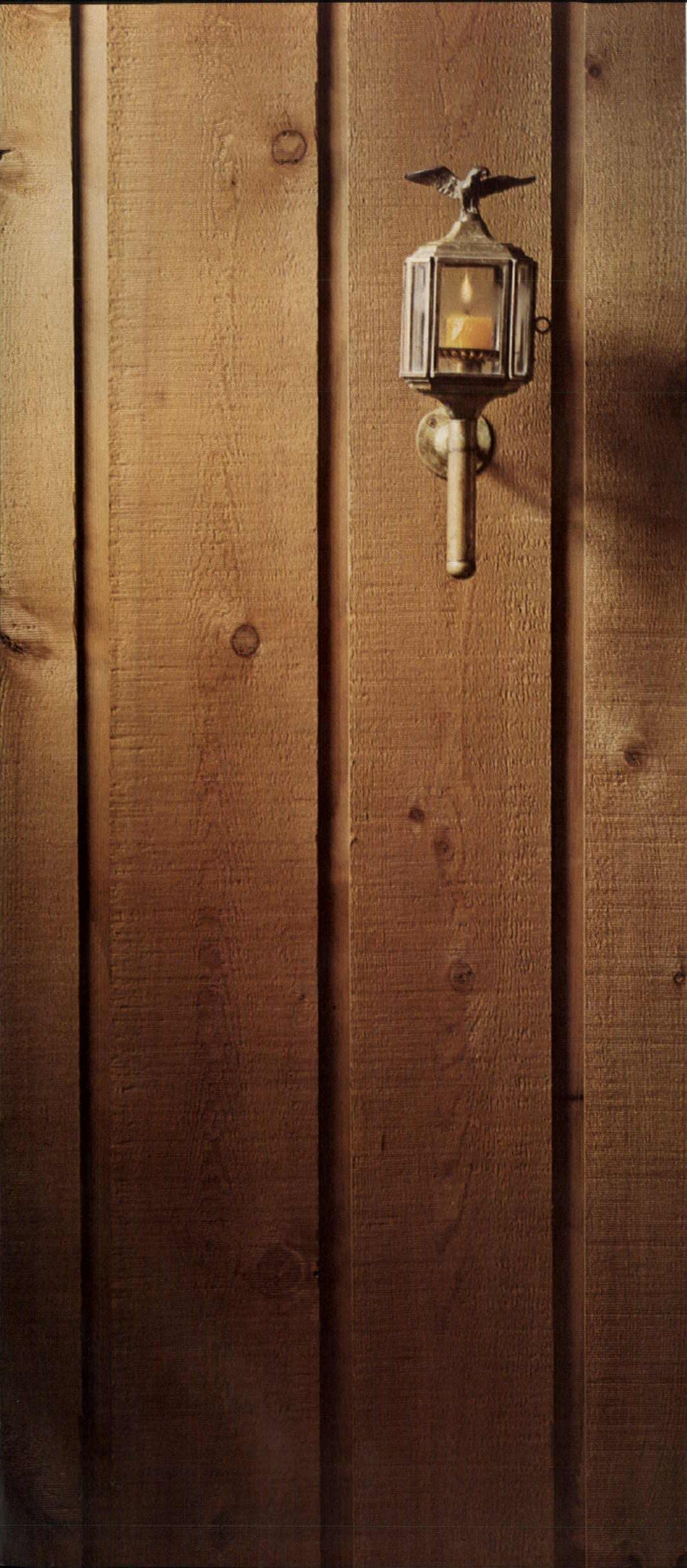

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Cedar siding from Potlatch.

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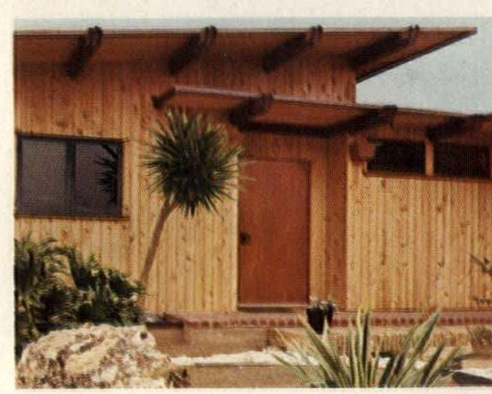
Potlatch Cedar Siding is kiln-dried to provide a more stable board when applied. And it's available in your choice of 21 colors of durable acrylic stains—factory-applied to save you time and money.



We know our way in the woods.

Potlatch

Potlatch Corporation
Wood Products Group
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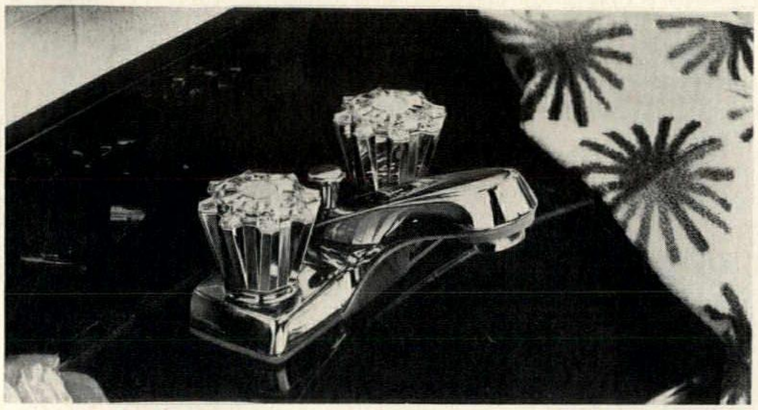
CIRCLE 117 ON READER SERVICE CARD

Early American bath cabinetry comes in three woodgrain finishes. The "Lexington" line includes single and double door units, a three door module with hidden drawers, exposed drawer units and a surface mounted medicine cabinet. Formco, Cincinnati, Ohio. CIRCLE 206 ON READER SERVICE CARD

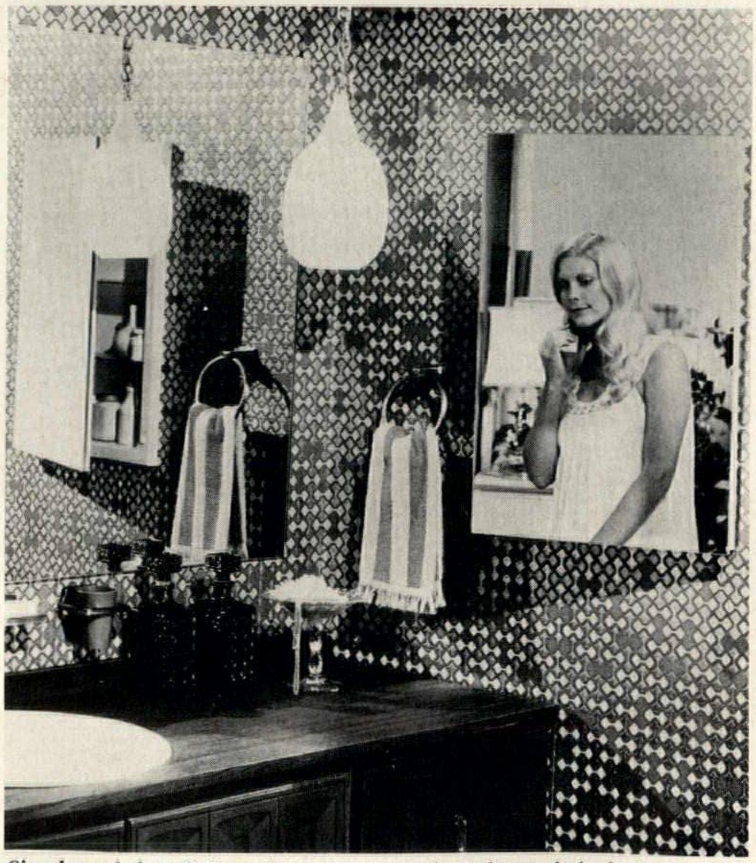
Reverse trap water closet, "Mohican Chief", has a low profile tank with a snap-lock cover that provides a one-piece look. The easy-to-maintain unit features siphonic jet flushing action and wide trapways. A water-saver flush valve protects against bowl overflow. Mansfield Sanitary, Perrysville, Ohio.
CIRCLE 207 ON READER SERVICE CARD

Economy lavatory fitting is part of the Flo-Free® line of brass plumbing. The 4" centerset features "Decor" handles, copper tubing waterways, a pop-up drain and an aerator. The line, consisting of 41 models, includes lavatory, kitchen and tub/shower units. Speakman, Wilmington, Del.
CIRCLE 208 ON READER SERVICE CARD



Budget-priced vanity cabinet, "Cameo", has raised sculptured doors and antique brass hardware. The white Excelite® finish is a vacuum-formed rigid shell of PVC that is non-absorbent and highly resistant to staining and fading. Steel reinforced cabinets feature self-closing hinges and double doweled joints. Excel Wood, Lakewood, N.J.
CIRCLE 209 ON READER SERVICE CARD

Durable injection molded lavatory, "Cameo", is of Celcon acetal copolymer by Celanese. The material resists chipping and cracking. It is impervious to hot water and household chemicals. The high gloss 17"x20" bowl, with or without an overflow, comes in four colors. Middlefield, Middlefield, Ohio.
CIRCLE 210 ON READER SERVICE CARD



Simply-styled medicine cabinet features a frameless polished-edged mirror door. The easy-to-install door can be used for left or right hand opening or duo cabinets. The unit, with ample storage room, has three adjustable glass shelves. Miami-Carey, Monroe, Ohio. CIRCLE 211 ON READER SERVICE CARD

Today's buyers want more than a new home, they want a new world.

Today's Americans want a world that's clean and pollution free. They're creating a heavy demand for natural gas. Because gas is clean-burning energy. In fact, there is no cleaner burning fuel. That's why gas is such a great way to heat a house, and cool it, too.

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Gas, clean energy for today and tomorrow

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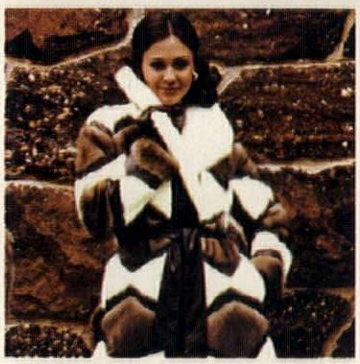
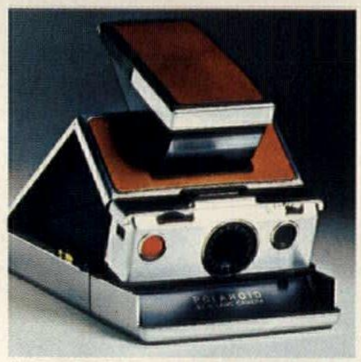

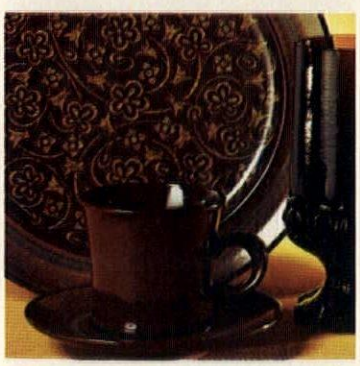


At Norandex, we've always believed that outstanding achievement deserves recognition . . . and ultimately, reward. So we've put this same kind of thinking into our 1974 Norandex Incentive Awards Program. Here's how it works: You continue to use the Norandex line of quality coil products. The more Norandex coil products you use, the more points you get. The more points you get, the more awards you can select. Awards like a camera, a TV . . . or a vacation for two in Hawaii. There's more to this program, so we'd like you to send us the coupon for the rest of the story. After all, how long has it been since you've gotten what you deserve?

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BUILDING MATERIALS

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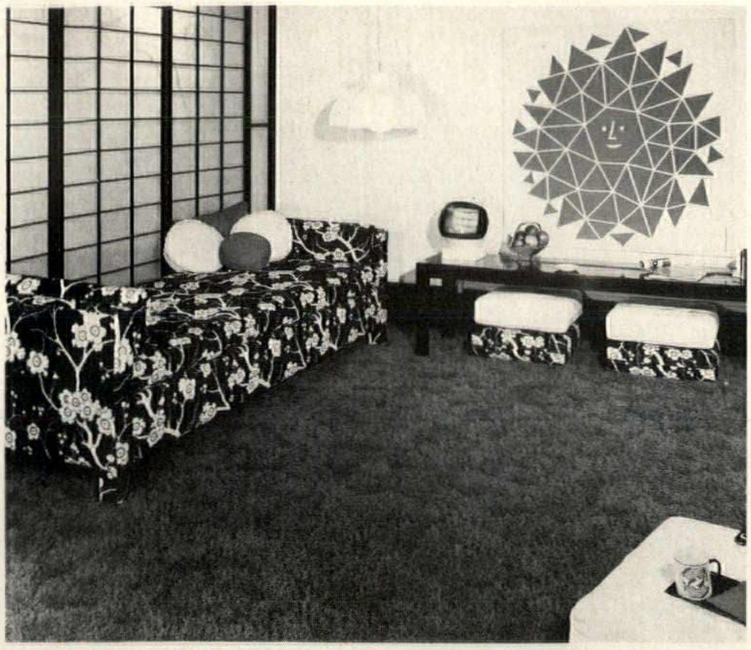
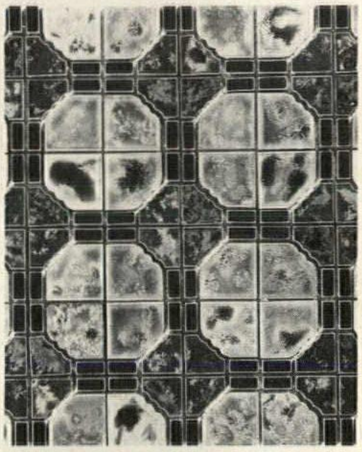
CIRCLE 121 ON READER SERVICE CARD

All-vinyl floor tiles are inspired by ancient Portuguese ceramic tiles. "Belem" *(left)* is named for the tower overlooking Lisbon harbor and "Lisboa" for the capital city itself. Both patterns come in a range of lush colors. Goodyear, Akron, Ohio.
CIRCLE 219 ON READER SERVICE CARD

Omalon polymeric foam carpet cushion is offered in two residential grades. Both "Profiled 5"—.425" thick—and "Profiled 6"—.500" thick—are odor-free, non-allergenic and stand up to the heaviest traffic. Olin, Stamford, Conn.
CIRCLE 220 ON READER SERVICE CARD

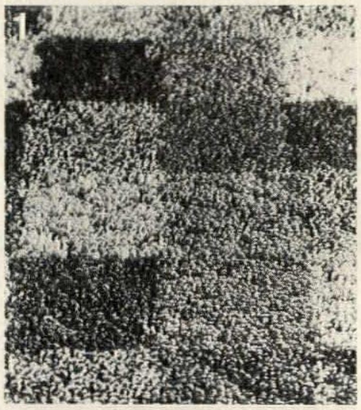


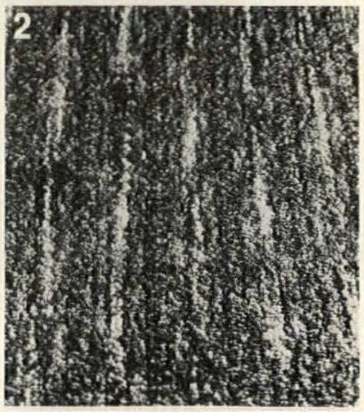
Cherry red shag carpet adds warmth to the contemporary simplicity of this Oriental living area. "Conquest", tufted of Enkaloft filament nylon, features a high density latex foam backing for comfort under foot. Magee Carpet, New York City.
CIRCLE 222 ON READER SERVICE CARD

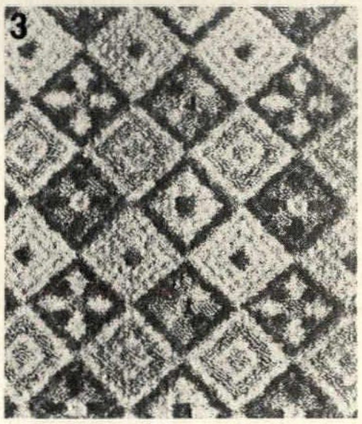


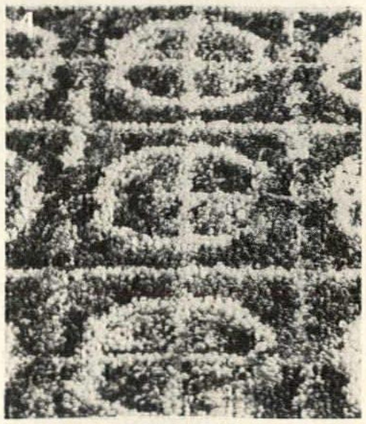
Frostproof, porcelain mosaic tiles, "Moonglow", are for floors, walls and swimming pools. Available in seven colors, tiles are mounted on 12"-square, mesh-backed sheets for fast, easy installation. Quality Marble, No. Hollywood, Calif.
CIRCLE 223 ON READER SERVICE CARD

Bold geometric patterned carpet is part of the heavy-duty "Contract 21" group. The woven axminster broadloom in earthtone colorations is 80% wool and 20% nylon. Power-loomed in Ireland, the carpet is available in 12' widths. Couristan, New York City. CIRCLE 221 ON READER SERVICE CARD

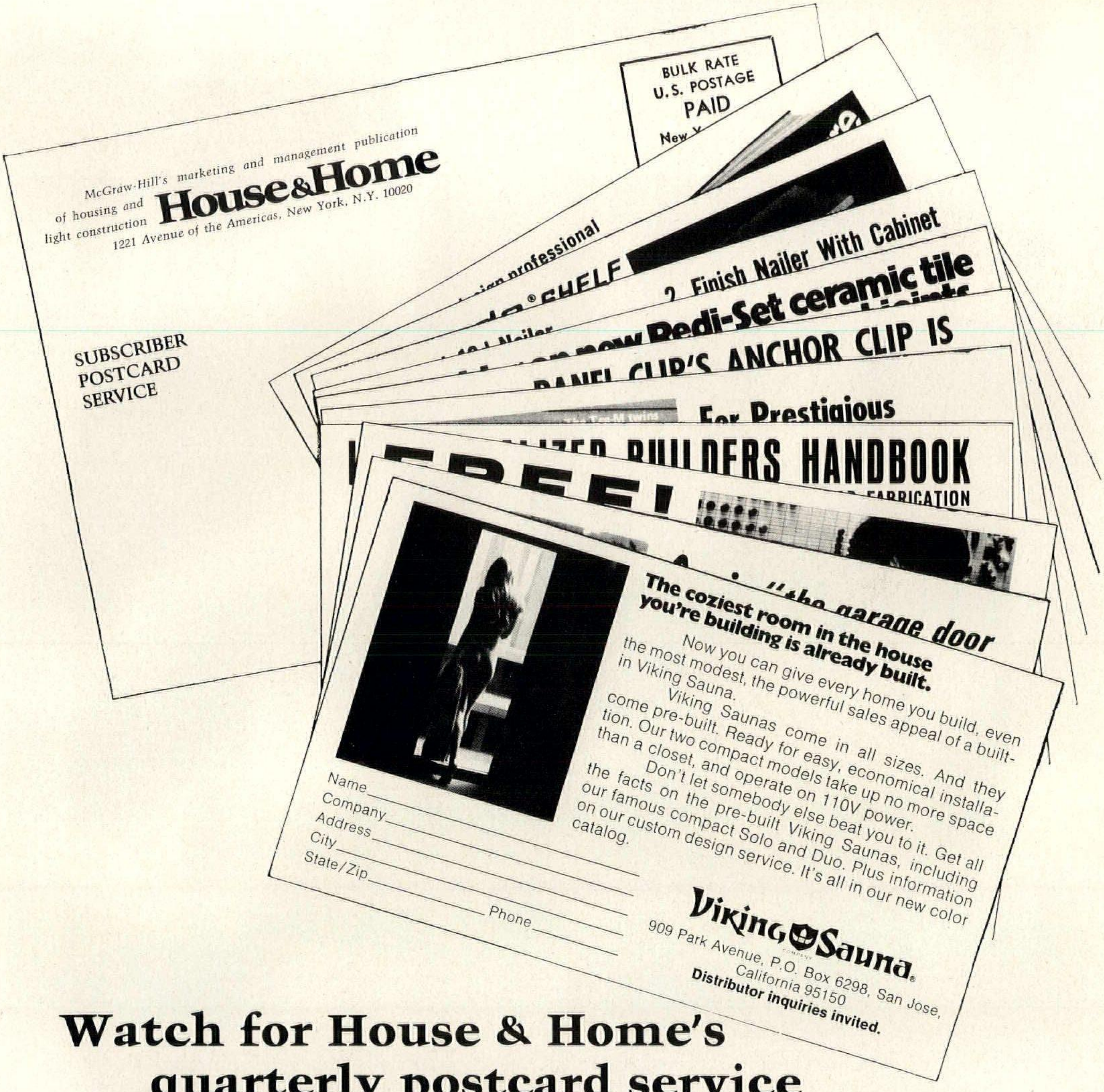








"Jac-Tuft" carpets, produced on a special tufting machine, simulate the look of jacquard weaving. Using yarns of different colors, designs such as Colonial **(1)**, Hartwell **(2)**, Smithfield **(3)** and Quincy **(4)** can be achieved easily. Aldon, Calhoun, Ga. CIRCLE 224 ON READER SERVICE CARD



Watch for House & Home's quarterly postcard service free to all subscribers– coming your way soon with useful product ideas

House & Home's quarterly postcard service — free to all subscribers — is designed to *widen your choice* of available products and *provide fast action* through direct personal contact with suppliers.

This month, and every three months after, House & Home will deliver a packet of product postcards *postpaid* and *already addressed* to forty or fifty manufacturers offering information on products, materials and equipment suitable for your current and future projects.

You'll find these postcards a quick, convenient way to get information from manufacturers who frequently test the market with brand-new product ideas you may well want to consider — and pass along to key people concerned with your planning, design, construction and marketing problems.

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Clean, simple lines that spell its elegance; "hydroseal" leak-proof, worry-proof action; feather-touch control and mirror-like "triplate" finish give every Valley faucet the quality, appearance and dependability that will last a long, long time.

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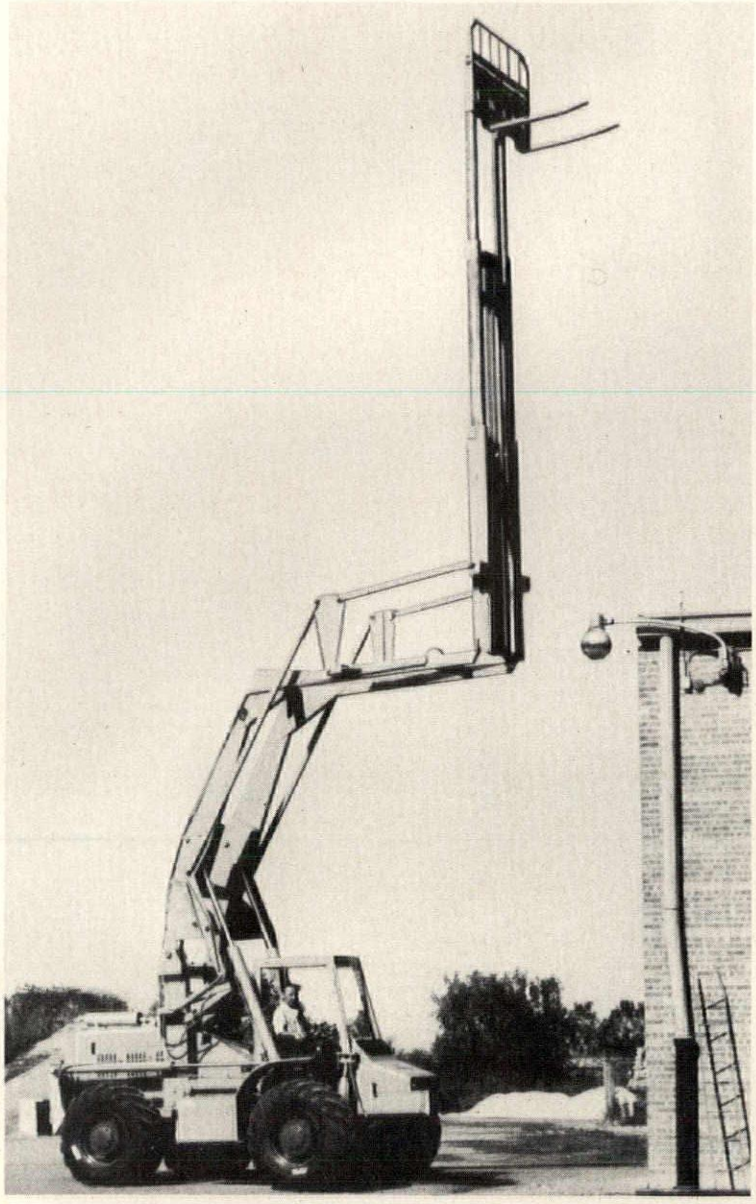
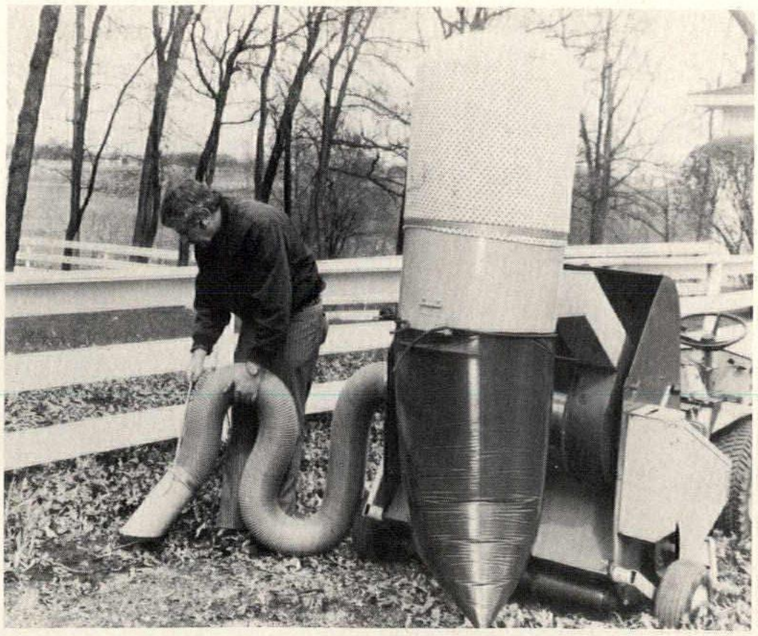
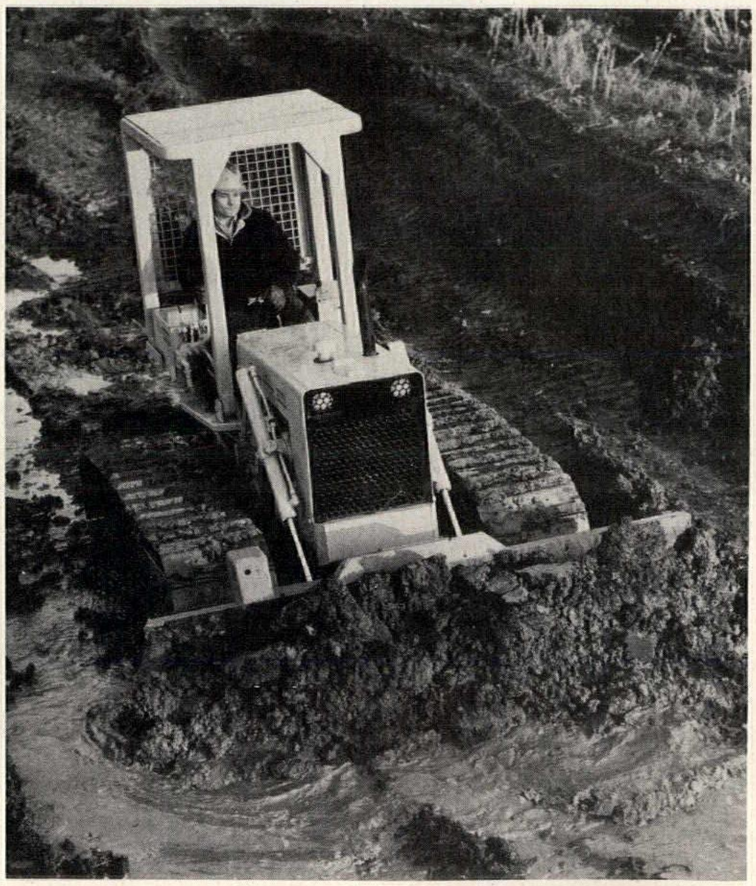
CIRCLE 125 ON READER SERVICE CARD



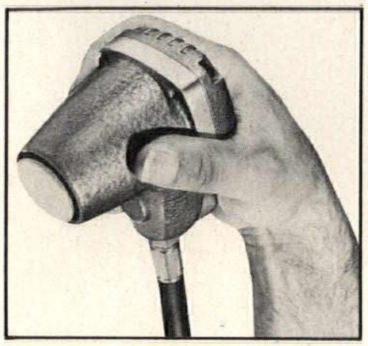


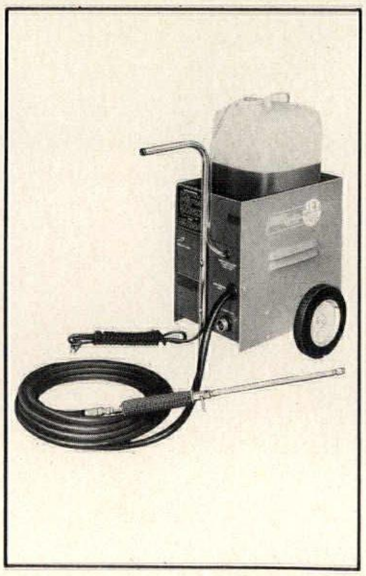
A bagging attachment is designed to be used with the 3′ "Lawn Genie" mower-sweeper equipped with a vacuum kit. The vacuum picks up leaves, sticks and other debris and deposits them in plastic bags. Bagging attachment is easily installed. W. C. Mathews, Crystal Lake, Ill.
CIRCLE 242 ON READER SERVICE CARD

High flotation crawler/dozer is designed to operate in soft or unstable ground areas. The unit features a 60″ wide-track gauge, 26″ wide shoes and a 104″ wide angle/tilt blade. A power shuttle transmission provides three forward speeds and reverse. J.I. Case, Racine, Wis.
CIRCLE 243 ON READER SERVICE CARD



Rough terrain highlift "8000" can elevate a 4,000 lb. load to a height of 42′. The mast has a forward reach of 51″ at any height. The heavy duty unit features an oscillation control to assure maximum stability. Teco Crab, Oaklawn, Ill.
CIRCLE 239 ON READER SERVICE CARD

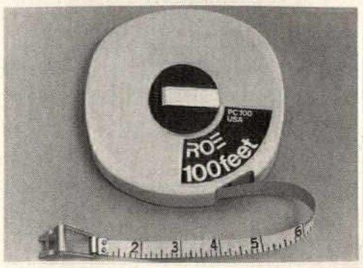




Compact automatic hammer is easy to operate and maneuver. A single blow delivered by the tool exceeds the power of 1,000 hammer blows per minute. Operating pressures range from 30 to 125 PSI depending on the force required. A variety of plastic hammering tips are available. Aerosmith, Visalia, Calif.
CIRCLE 240 ON READER SERVICE CARD

Pressure washer, "Jet Master", delivers 600 PSI at 2 GPM. Operating off standard household current, it attaches to a garden hose for water supply. The compact, lightweight unit has wheels and a handle for maneuverability. Sturdy steel cabinet has a durable finish. Hydro Systems, Cincinnati, Ohio.
CIRCLE 241 ON READER SERVICE CARD

Long measuring tapes feature sturdy cases made of lightweight Uniroyal ABS "Kralastic". The ultrasonically welded cases, designed to fit into a hand, have convenient carrying clips. Yellow steel tapes with two-color printing come in lengths of 50′, 100′, 50′-15 meters and 100′-30 meters. Roe, Patchogue, N.Y.
CIRCLE 244 ON READER SERVICE CARD



As a National Homes builder in '74, you won't get caught short of materials—or profits.

These are unpredictable times for most builders—but not if you're a builder of National Homes. As a National builder you build the total home—and automatically receive from National all the building materials you need. Whether you're building 5 homes or 500. You don't build "piecemeal," and you aren't dependent on several different sources—all of whom may be faced with severe shortages of materials. As the largest company of its kind in the business, National maintains huge inventories of all building materials—for the exclusive use of National builders.

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As a National builder in '74 you'll have everything it takes to stay profitable and competitive in your market: the building materials, the marketing support, financial help, the right kind of homes, the best system of building. All the reasons why over 1200 builders changed to National Homes in '73. Make *your* change in 1974. Rush the coupon to us now or faster yet, call (317) 447-3232.

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CIRCLE 127 ON READER SERVICE CARD

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Builders who switch

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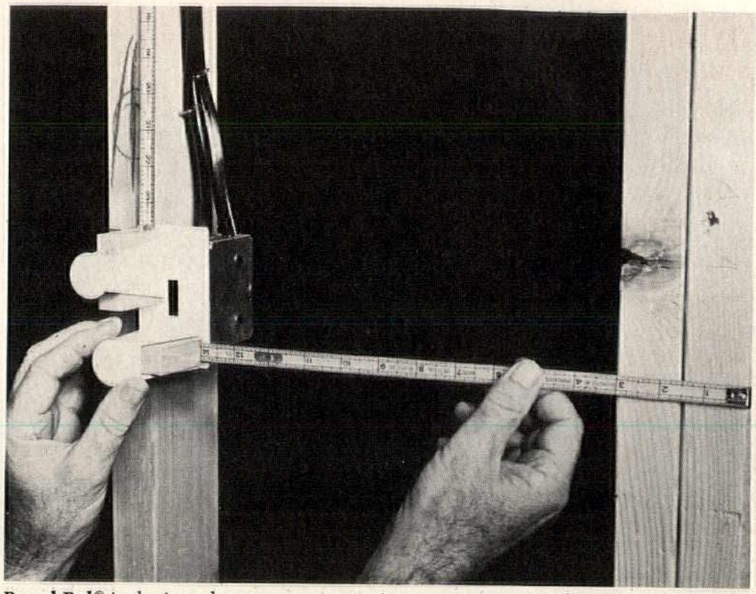
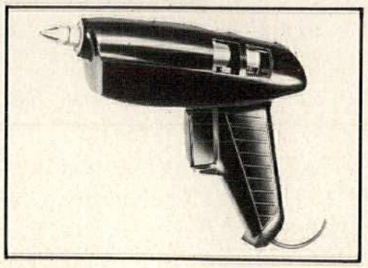
Self-contained utility breaker meets the rugged demands of extended use under punishing conditions. The lightweight, easy-to-start, gasoline-driven tool features a safety grip throttle control that meets O.S.H.A. requirements. A low noise level is maintained by a custom designed muffler. Wacker, Milwaukee, Wis. CIRCLE 245 ON READER SERVICE CARD

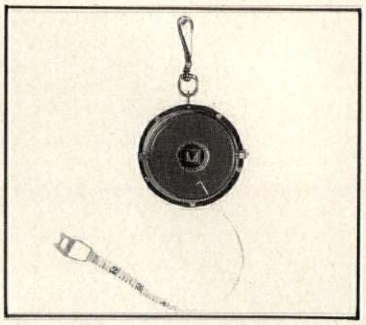
Earth compactor, "20KPT Power Pad Tamper," is small enough for trench work yet large enough to cover big areas of ground quickly. The gasoline powered unit with a 20"x27" plate provides 5300 lbs of force per blow and delivers 3100 blows per minute. Large 8" wheels snap in for easy movement. Kelley, Buffalo, N.Y. CIRCLE 246 ON READER SERVICE CARD



Panel Pal® is designed to measure precise cutouts in paneling and wallboard. Rugged, non-conductive housing unit fits into standard electrical switch or outlet boxes. Then vertical and horizontal tapes are extended and locked into place. Tool is then removed, placed on the face of the panel and used as a template. Toolco, San Angelo, Tex. CIRCLE 248 ON READER SERVICE CARD



Hot melt glue gun, "Thermogrip 207", comes with three 4" glue sticks and full instructions. The unit features a contour grip trigger control that starts and stops the glue flow instantly. Glue sticks are fed mechanically into the device. A preset thermostat insures a constant temperature. U.S.M., Reading, Pa. CIRCLE 249 ON READER SERVICE CARD



Multi-purpose steel measuring tape, "Tape-Matic", rewinds automatically in under five seconds. White enameled tape blade is marked in fractions with feet and 16" stud centers in red. Tape is 51¼" long to provide extra safety wrapping around the hub. Non-clogging reel, protected by a steel drum and back, features an easy tension adjustment. Martin Reel, Mohawk, N.Y. CIRCLE 250 ON READER SERVICE CARD

Rolling measuring device, "E-Z Measure", is claimed to be accurate in ½" increments to 1000'. Distances are measured by rolling the slip-proof wheel up and down or sideways over any surface. Offered with a tubular steel or telescoping anodized aluminum handle, unit has an instant reset. Industrial Specialties, Chatsworth, Calif. CIRCLE 247 ON READER SERVICE CARD

High speed end cutter, "Lion Trimmer", can be used for simple and compound miters, square end planing, bevels, rounds and chamfers. Unit, operating on the sliding knife principle, can be set at any angle between 44° and 91°. It will trim moldings up to 3⅞" wide or 5" high leaving a surface that needs no sanding. Pootatuck, Shelton, Conn. CIRCLE 251 ON READER SERVICE CARD

We do more on the assembly line so you can save more on every job.

Once upon a time you literally had to custom-build each boiler you installed. Use up valuable man-hours installing the flue canopy, manifold, controls and jacket.

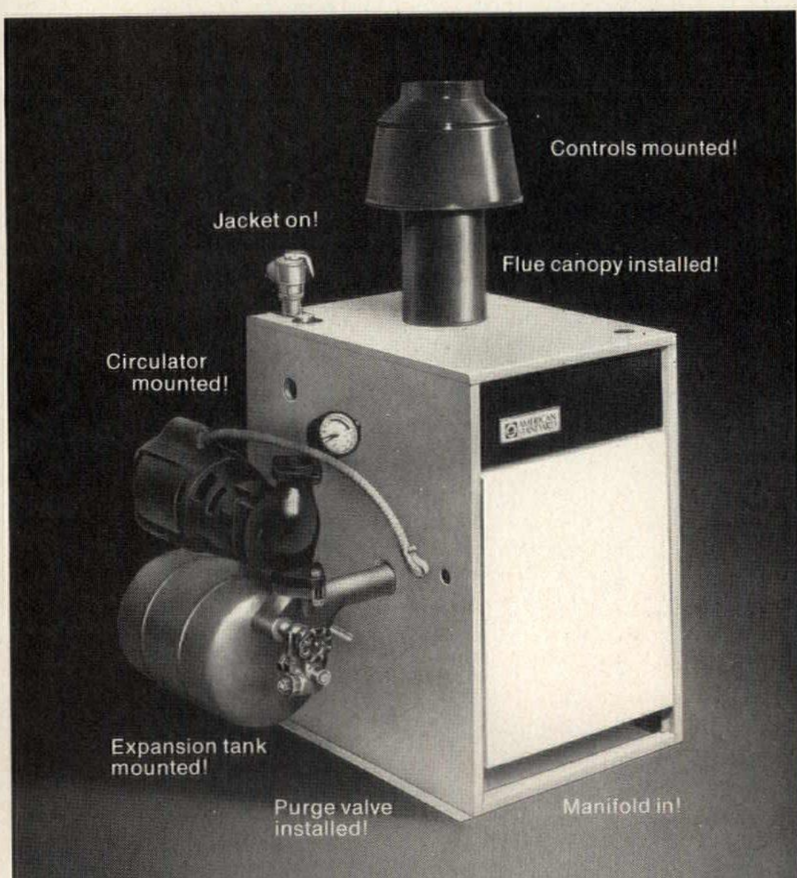
But now we're doing it for you. When American-Standard's gas-fired GPMX™ comes off the assembly line, it's totally packaged. All you have to do is hook up the supply and return lines. Six models to choose from, in the 52,800 to 184,000 Btuh range.

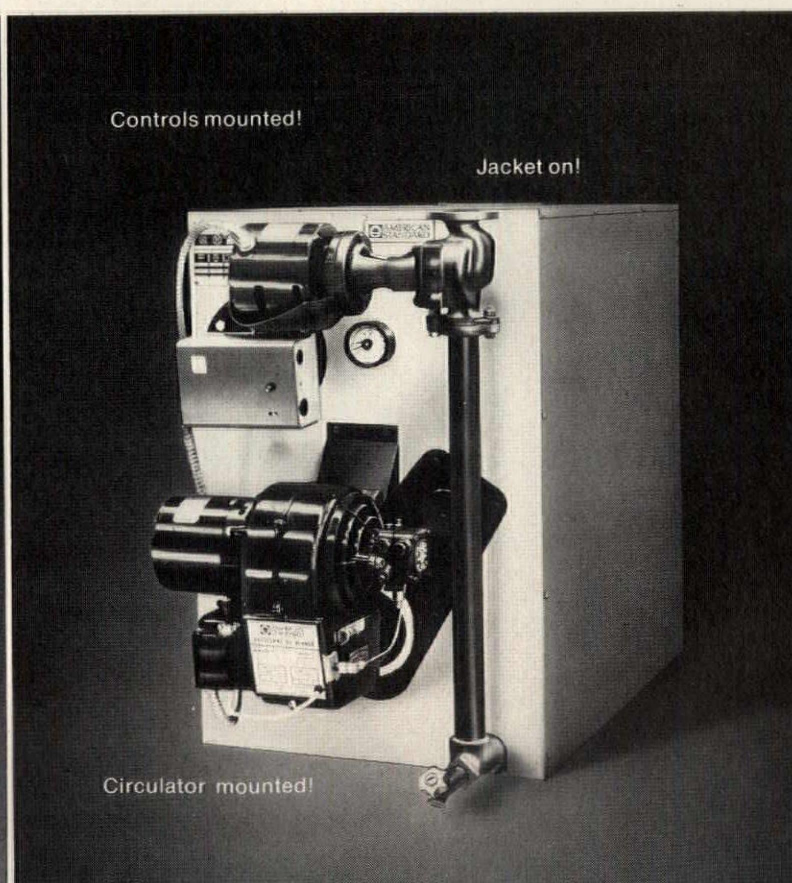
The oil-fired VP(T) boiler (with three models from 115,000 to 250,000 Btuh) is just as much of a labor-saver except the burner is packed separately for easy handling.

With our packaged boilers, gas or oil-fired, give your customers the dependable comfort of snap-together Heatrim™ baseboard panels. Cut installation time even more.

The sooner you get the details from your American-Standard distributor, the sooner you can start smiling all the way to the bank. Your jobs will be happier ever after.

These packaged boilers are full of surprises!

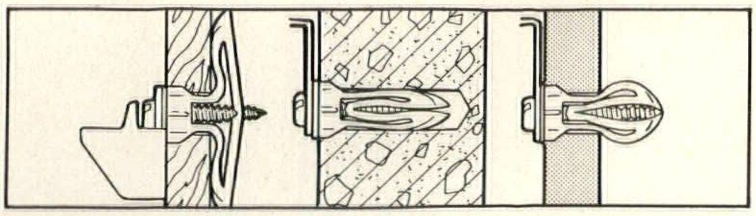




AMERICAN STANDARD

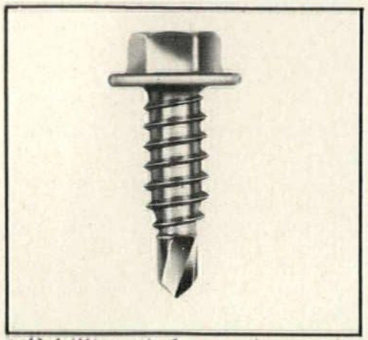
PLUMBING / HEATING

How are **you** coming with your share of the $40 Billion?

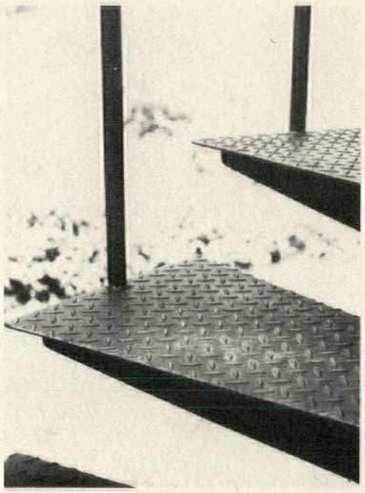


"Toggler" fastener provides a screw anchor for mounting shelving, hardware, cabinets. Made of non-corrosive, non-conductive polypropylene, the "Toggler" holds with a firm grip in any construction material. McCulloch, Minneapolis, Minn.
CIRCLE 216 ON READER SERVICE CARD

Custom stair treads for iron spiral staircases include slip-retarding diamond plate treads for outdoor use *(shown)*. Other options are solid oak treads suitable for finishing, and plywood treads for use under carpeting. Whitten, Bennington, Vt.
CIRCLE 218 ON READER SERVICE CARD



Self-drilling stitch screw has a point slightly smaller in diameter than the screw body. This eliminates strip-out when joining two or three sheets of thin metal. Elco, Rockford, Ill.
CIRCLE 217 ON READER SERVICE CARD



Prefabricated steel stairways, available in 40 sizes from 3" to 10'2" high, can be used indoors or out. All components are predrilled for fast, easy assembly. Offered with landing platforms for multi-level installation and rack-end column supports to 40' high, units feature adjustable stair treads. Equipto, Aurora, Ill. CIRCLE 215 ON READER SERVICE CARD

CIRCLE 134 ON READER SERVICE CARD

Hotpoint's Builder Service: It's offering Customer Care...Everywhere™ with every appliance we sell.

Customer Care . . . Everywhere™ is made up of Hotpoint Factory Service Centers in over 100 major cities and thousands of franchised service people all across the country.

Customer Care . . . Everywhere is a sales tool for you. It means you can tell your customers that a phone call will bring a qualified Hotpoint serviceman to their doorstep.

This helps build tenants' and homeowners' confidence. And more important, it takes service problems off your shoulders.

Of course, all Hotpoint appliances are built for a life of dependable performance.

But if service is ever needed, Customer Care . . . Everywhere is always nearby.

And our nationwide service system is only one way we can help you sell or rent.

Before construction begins, our kitchen design staff can analyze your blueprints to help make kitchen areas more desirable. We can also offer promotional program planning.

And because you can get your appliances all from one source, you save yourself time and trouble.

Let your Hotpoint representative tell you more.

A phone call will bring him running.

The difference is hustle.

Hotpoint
A QUALITY PRODUCT OF GENERAL ELECTRIC COMPANY

How to build a foundation

when it's colder than a well-digger's

Read on ⟫——→

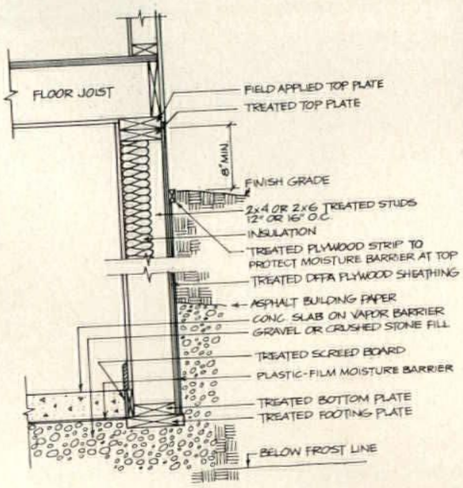
You can install the All-Weather Wood Foundation in cold, wet, freezing weather. In the dead of winter. In Spirit Lake, Iowa. Or any place else.

"We proved it could be done in January when the wind-chill factor was -40° and the depth of the frozen ground was 3 to 4 feet." — Robert Bergquist, Citation Homes, Spirit Lake, Iowa.

The All-Weather Wood Foundation is one of the most innovative and adaptable foundation systems ever developed.

It doesn't place you at the mercy of weather, for one thing. In good weather it can save you up to \$300. But in bad weather, it can save your shirt.

Rain won't stop the All-Weather Wood Foundation, and in zero-temperature you may have to use frost-cutters to excavate. But you can keep a crew the year around and stick to a schedule. Even when it's colder than a well-digger's nose.

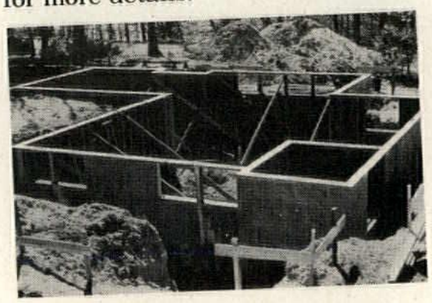


What it is.

Wood, when preserved correctly, is durable underground. Two examples of this are pilings for high-rises and 30-year-old treated wood foundations.

The All-Weather Wood Foundation is a logical progression of building with pressure-preservative treated wood. It's environmentally safe. Less costly than concrete or masonry. Six times faster. And provides a warmer, dryer basement in the winter.

Basically, it's a pressure-treated plywood-sheathed stud wall set below grade on gravel footings and a treated wood plate. The exterior is covered with polyethylene film. And joints are sealed. Send the coupon for more details.



Save \$300 per home.

According to the NAHB Research Foundation, the All-Weather Wood Foundation costs \$300 less for a typical 1,000 sq. ft. house. The savings include 50 fewer man-hours on site compared to a masonry foundation (Sept. 1973).

The wood foundation is outrageously fast. In a 1969 NAHB project, a five-man crew installed a wood foundation in $1\frac{1}{2}$ hours as compared to $10\frac{1}{2}$ hours for a concrete block foundation.

Send for the book.

All you need to get started is a copy of the new All-Weather Wood Foundation booklet and thirty minutes of talk with an APA field man.

Both free. For a coupon.

American Plywood Association
Department H-044
Tacoma, Washington 98401

☐ Please send me the APA All-Weather Wood Foundation booklet.

☐ I have too many questions. Please send me an APA field man with enough facts to get me started now.

Name ____________

Firm ____________

Address ____________

City ____________

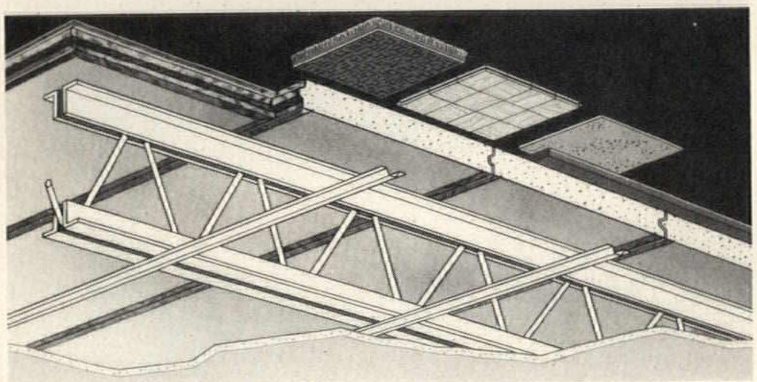
State ____________ Zip ____________

AMERICAN PLYWOOD ASSOCIATION

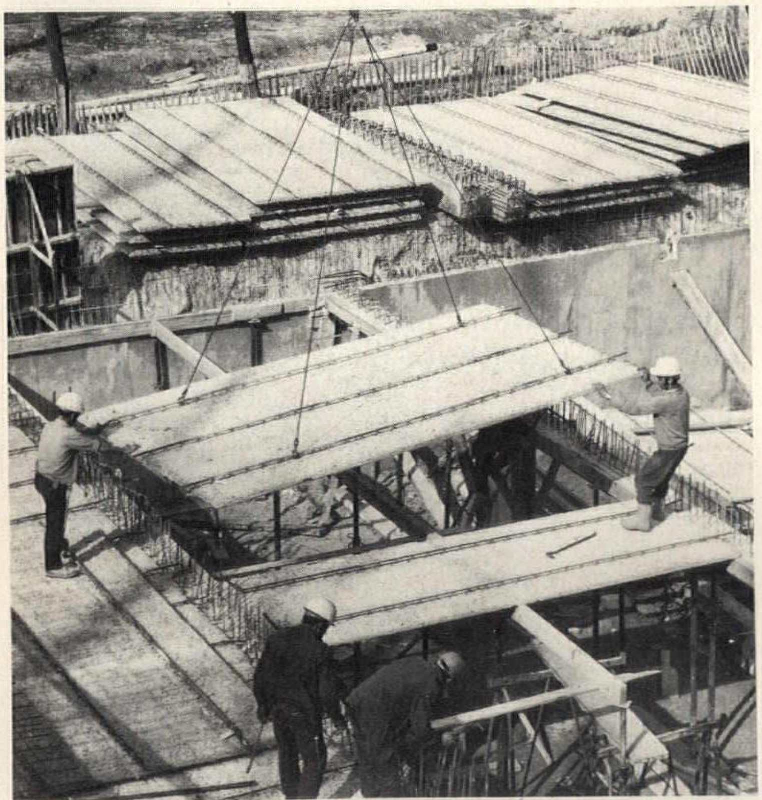
the cost cutter

CIRCLE 138 ON READER SERVICE CARD

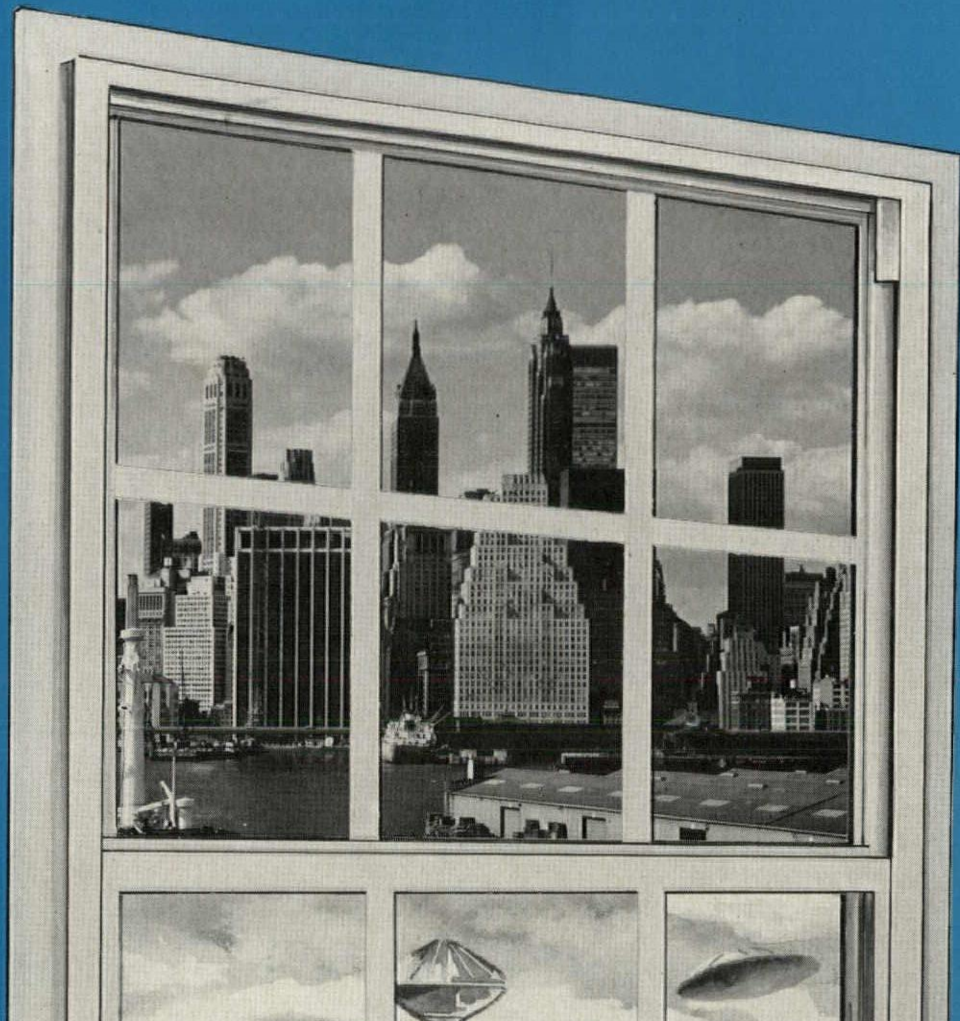
Simple structural system, shown in a completed house, consists of building blocks and a mortarless surface bonding cement, Surewall®. The blocks are stacked in a running pattern; then the bonding cement is mixed and troweled onto the sides providing a smooth, white, moisture resistant finish. W. C. Bonsal, Lilesville, N.C. CIRCLE 212 ON READER SERVICE CARD



Floor plank system, designed for use with steel bar joists, consists of 15"x10' metal-edged gypsum planks. The planks are welded or clipped into position immediately after joists are installed thus eliminating the need for temporary floors. Most flooring materials can be applied directly over sound and fire rated planks. U.S. Gypsum, Chicago. CIRCLE 213 ON READER SERVICE CARD



Semi-precast slab system, "Dawide", is for fire-resistant roof and floor construction. A thin portion of a concrete slab is precast in factory and reinforced by a protruding light steel truss and steel mesh. Slab is completed on site by pouring another layer of concrete. The smooth underside serves as the ceiling and the top of the slab accepts flooring or roofing materials. Bowsteel, Linden, N.J. CIRCLE 214 ON READER SERVICE CARD



here today

and here tomorrow!

Capitol.
After 22 years, leaders in the aluminum door-window industry. Being on top and staying there hasn't been easy. Like everyone in these days of shortages and crisis we have our problems...but, we work them out.

For instance, we have a totally integrated operation. Starting with liquid metal and going right thru fabrication. Multiple plant locations put us within 300 miles of 90% of our customers...And our warehouses carry a large raw material inventory, so we are ready if shortages do occur.

Capitol doesn't let today's problems inhibit tomorrow's plans. Another plant is presently in the planning stage to anticipate the growing demand for aluminum windows. And last but not least, we have the variety of product line and the most reliable delivery in today's market.

...Call collect, Mr. Wallace Fremont, V.P. Sales, (717) 766-7661.

See us at booth 1002 ABDC&E show
APR. 29-30 • MAY 1

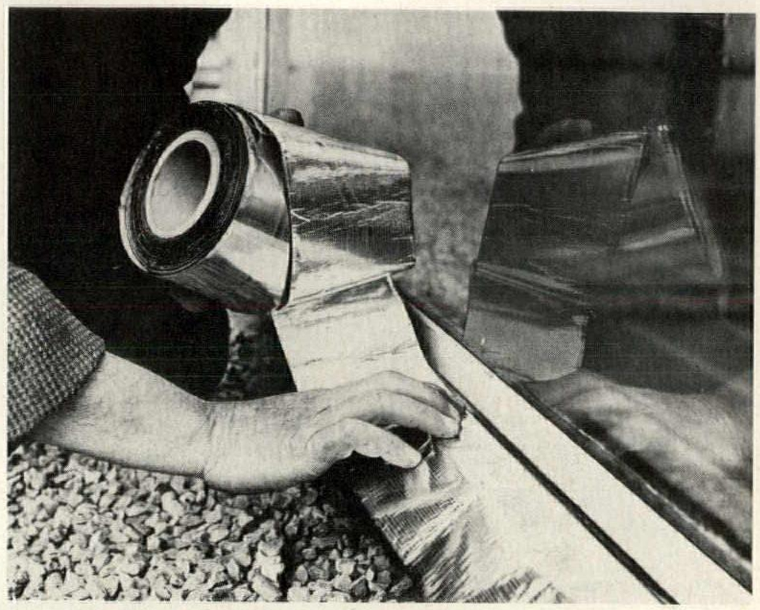
a subsidiary of **Ethyl** Corporation

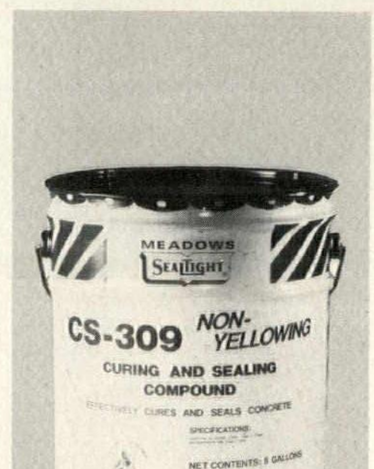
CAPITOL PRODUCTS CORPORATION
MECHANICSBURG, PENNA. 17055

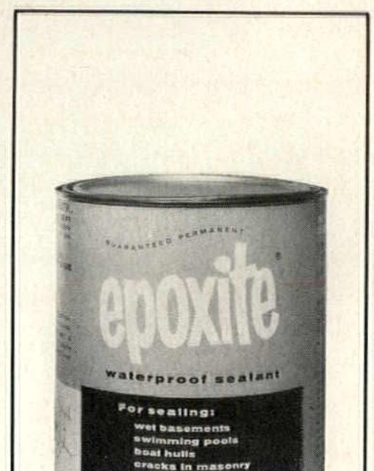
Water-based epoxy resin, "Dur-A-Poxy," works well on moist or wet surfaces. Easily applied with a brush, spray or roller, the coating is odorless, fire resistant and has a low toxicity. Suitable for use on concrete, cinder-block or wood, the material is resistant to solvents, acids and alkalis. Dur-a-Flex, Hartford, Conn. CIRCLE 225 ON READER SERVICE CARD

Rubberized liquid sealer, "Lastek 33", is for use on asphalt and concrete. Packaged in a plastic bottle with a pouring nozzle, the weather- and water-resistant substance bonds firmly yet remains elastic. Maintenance, Wooster, Ohio.
CIRCLE 228 ON READER SERVICE CARD

Peel and seal flashing, "Flashband", forms a watertight, weather-proof bond. The strip consists of a layer of contact sealing bitumen and light-reflecting, heavy-duty aluminum. Applied by hand pressure, the material conforms to any contour. Evode, Somerdale, N.J.
CIRCLE 229 ON READER SERVICE CARD







Instant Patch® roof repair contains both organic and inorganic fibers. It dries to a tough, long-lasting membrane that stops leaks and rebuilds worn-out roofs and flashings. Available in convenient 11-oz. cartridges or in quart, gallon or 5-gallon cans, the material won't shrink, sag, or run. Tremco Mfg., Cleveland, Ohio.
CIRCLE 226 ON READER SERVICE CARD

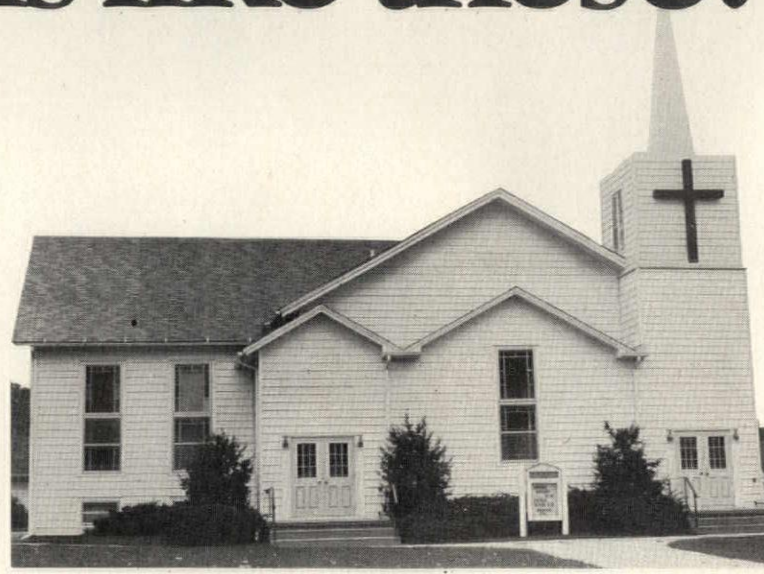
Epoxy adhesive, "Vi-Pox," is designed for bonding vinyl to metal and other non-porous surfaces. The two-component adhesive is mixed together in equal quantities prior to use. The substance, which cures at room temperature, can also be used with wood, fiber, and cement. Adhesive Products, Bronx, N.Y.
CIRCLE 227 ON READER SERVICE CARD

Non-yellowing sealing/curing compound, "Sealtight CS-309", seals and hardens concrete surfaces. Resistant to the effects of de-icing salts, the coating helps control spalling on sidewalks, driveways and parking lots. It provides a durable, long-lasting easy-to-maintain finish, indoors and out. W. R. Meadows, Elgin, Ill.
CIRCLE 230 ON READER SERVICE CARD

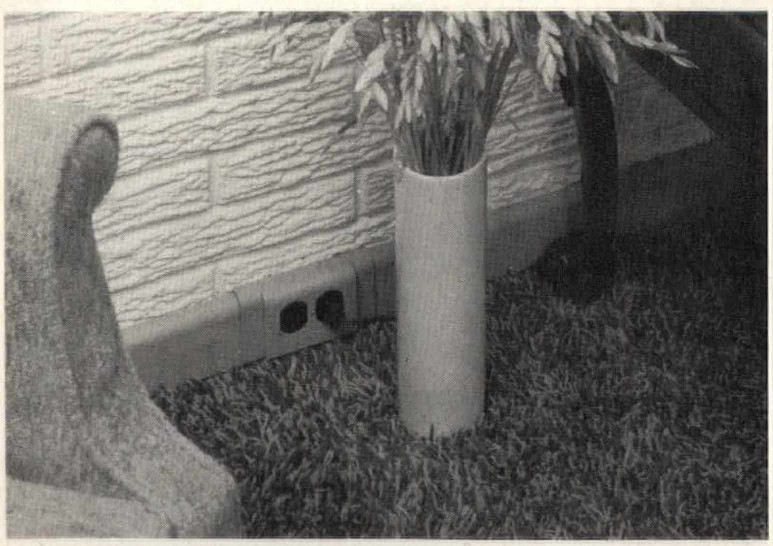
Two-component waterproof sealant, Epoxite®, is especially formulated to withstand extreme hydrostatic pressures. Suitable for swimming pools as well as below grade floors and walls, the liquid epoxy coating hardens to an attractive, tile-like finish that is almost indestructible. Boyle Midway, New York City.
CIRCLE 231 ON READER SERVICE CARD

Does anything you build face problems like these?

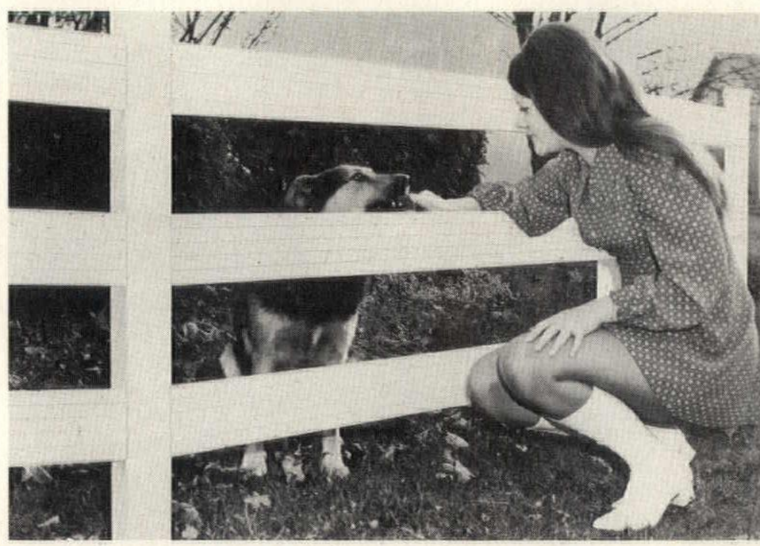
Extremes in weather threaten long-term beauty? Building products made of Geon® vinyl retain their decorative appeal through hot and cold, sun and rain, snow and ice. These Perma-Shield® shutters by Andersen Corporation are vacuum-formed vinyl over a primed wood sub-frame and wood center braces. The vinyl outer surface is complete in one piece. Offers high impact strength. Low maintenance. Resists chipping and peeling.



Your customers are asking for maintenance freedom? Siding made of Geon vinyl provides minimum upkeep. Resists denting, retains a soft, even color. There are 60 squares of siding on this 137-year-old First Presbyterian Church in Princeville, Illinois. The church building committee chose Contour T-lok® solid vinyl siding made by Mastic Corporation, who use Geon vinyl.



Are installation headaches upping your costs? Here's how Geon vinyl helped cut costs in Charlotte, North Carolina, in the Diplomat Apartments. More than 130 units required over 20,000 lineal feet of fully-enclosed electrical system made by Johnson Rubber Company. The system doubles as a baseboard molding. Installation is a snap. A rigid vinyl strip is affixed to the wall. Wiring harness is laid in place. Retainer clips keep it there. Vinyl cover strips are snapped into position and become the finished baseboard. Snap-on molded corners finish the job.



You want a fence that won't rot? Harvel Plastics, Inc., Easton, Pa., uses Geon vinyl to make a fence that's rot-proof. In fact, they guarantee it. It's also impact resistant. Insects and adverse soil conditions won't harm this fence. Geon vinyl also helps resist abrasion. For more information about Geon vinyl as a material in building products, ask B.F.Goodrich Chemical Company, Dept. H-31, 6100 Oak Tree Boulevard, Cleveland, Ohio 44131. The people who started it all in vinyl.

B.F. Goodrich Chemical Company B.F.Goodrich

CIRCLE 145 ON READER SERVICE CARD


NO CAMPING
NO SWIMMING
NO HIKING
NO RELAXING
NO FISHING
NO HUNTING
NO RIDING
NO SIGHTSEEING

Bathroom & Laundry Equipment: a summary of Sales Actions taken by House & Home readers

To identify all the important people in housing & light construction who are active in selecting products in this category, House & Home followed up all such advertising inquiries received through its Reader Service Card.

Survey questions were designed to determine what, if any, sales actions were taken as a result of readers having seen advertisements in House & Home.

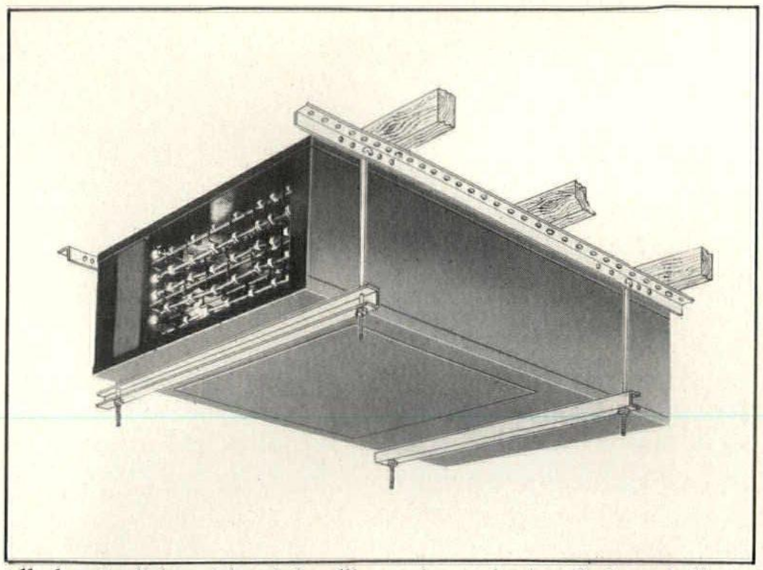
Sales actions—for purposes of these studies—have been defined as *specifying, recommending, approving, purchasing* and *still investigating:* all positive actions bringing products and prospects closer to a sale.

For each sales action, of course, the unknown multiplier is the number of residential or other units for which the sales action was taken. For example, a single *purchase* mention could involve a 10-house development, a 280-unit apartment complex, or anything in-between.

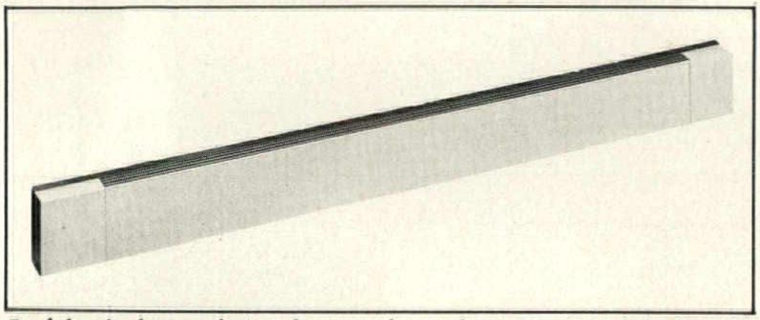
As shown in the table below, results indicate in the clearest possible manner that sales action in this product category comes from every segment of the industry and only House & Home—with its industry-wide circulation—offers all the sales action in the market.

SALES ACTIONS TAKEN ON BATHROOM & LAUNDRY EQUIPMENT ADVERTISING

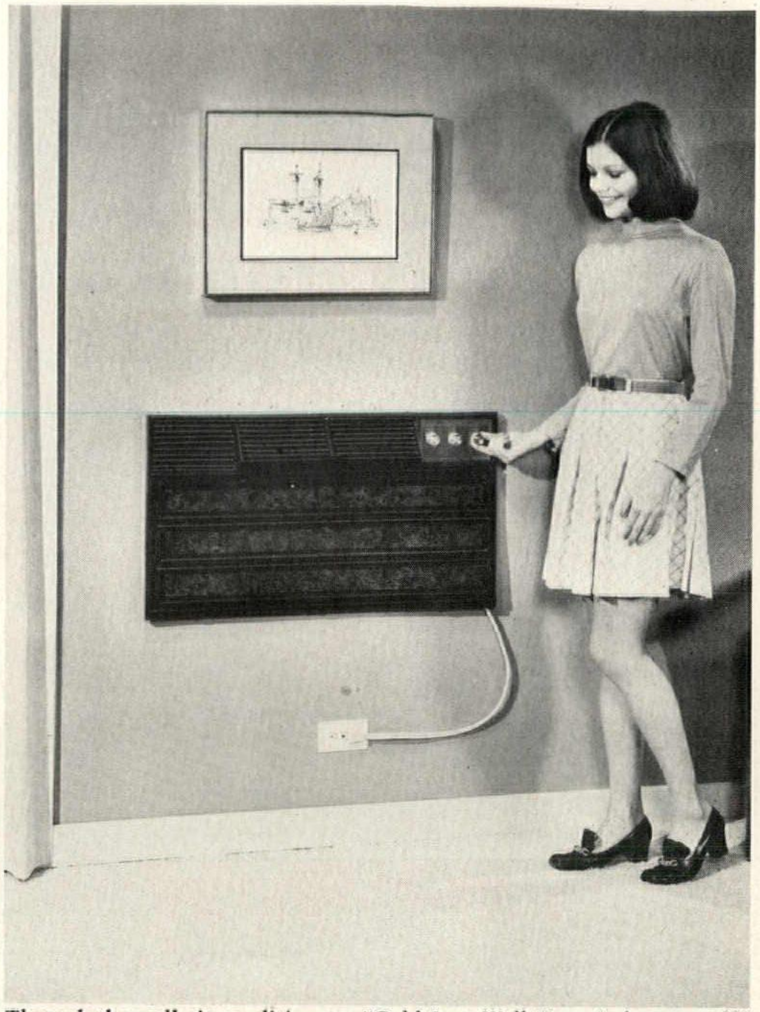
Reader Classification	Literature Requested by Readers Surveyed	Literature Requested by Survey Respondents	Literature Received by Survey Respondents	Specified Product	Recom-mended Product	Approved Product	Purchased Product	Still Investigat-ing Product	Total Sales Actions	Sales Actions as % of Literature Received
Architects & Designers	13,733	5,185	4,502	589	724	410	121	1,042	2,886	64.1%
Builders & Contractors	28,477	8,763	7,401	530	864	716	790	2,385	5,285	71.4%
Commercial/Industrial	1,772	552	467	39	51	38	36	163	327	70.0%
Engineers	1,759	660	586	44	70	40	35	211	400	68.3%
Financial	1,363	466	418	26	39	34	20	160	279	66.7%
Government	1,383	596	519	25	54	35	27	159	300	57.8%
Realty	2,711	883	762	51	68	76	38	308	541	70.9%
Retail Dealers	1,472	471	377	25	30	27	33	138	253	67.1%
Subcontractors	2,869	785	661	34	87	78	73	211	483	73.1%
Wholesale Distributors	883	342	287	15	28	25	24	93	185	64.5%
Others not identifying self	12,730	4,053	3,838	260	311	251	161	1,051	2,034	53.0%
TOTAL	69,152	22,756	19,456	1,638	2,326	1,730	1,358	5,921	12,973	66.7%



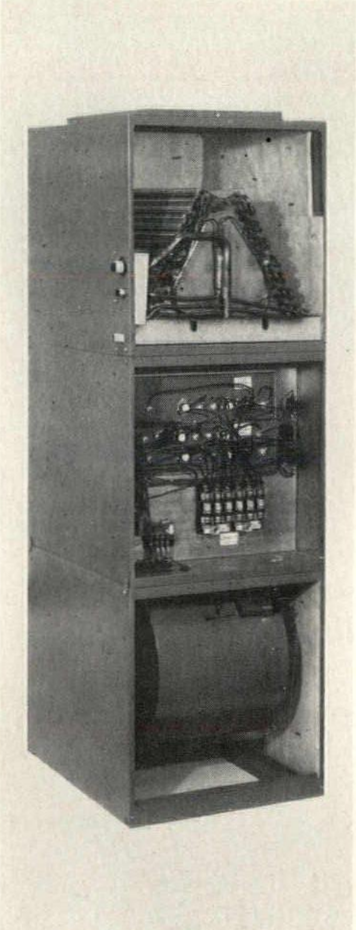
All electric, lightweight air-handling unit can be installed vertically or horizontally. The pre-wired, factory-charged system, housed in a rugged steel, baked-enamel cabinet is available in a range of heating and cooling capacities. Gaffers & Sattler, Los Angeles, Calif. CIRCLE 252 ON READER SERVICE CARD

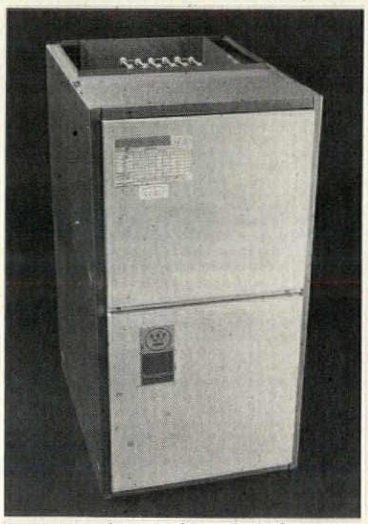


Draft barrier heater, designed to provide supplementary heat directly under wide glass expanses, features an architecturally styled ribbon grille top. Heaters with a 188 watt per ln. ft. delivery can offset heat loss from single-pane glass. Berko, Michigan City, Ind. CIRCLE 253 ON READER SERVICE CARD



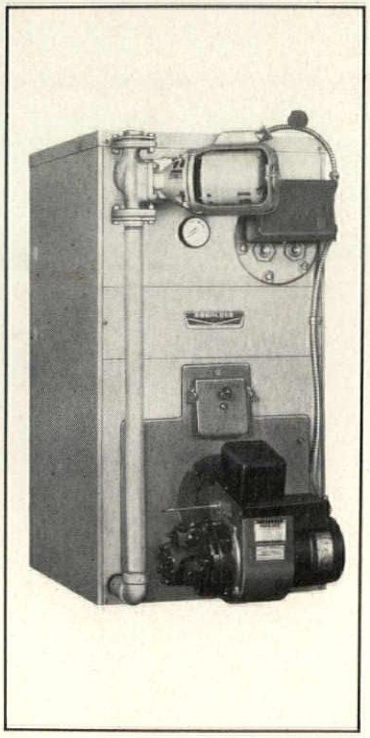
Through-the-wall air conditioners, "Cold Spot Wall Temp", feature a 32" wide cabinet that comes in depths of 14½" or 16⅜". Front or back-flush mount units with thermostatic control come in cooling to 13,500 BTU and heating to 15,000. Sears, Chicago, Ill. CIRCLE 256 ON READER SERVICE CARD



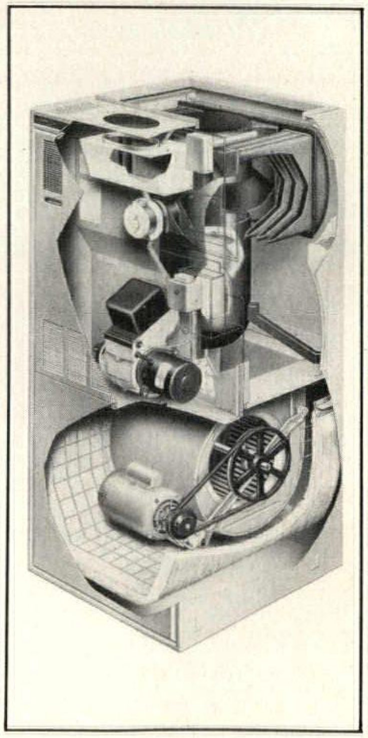


Compact electric forced air furnace, "FELF", is up to 50% smaller than comparably sized units. Units, for vertical upflow and counterflow applications, have front access servicing. Air conditioning can be added. Westinghouse, Pittsburgh, Pa. CIRCLE 255 ON READER SERVICE CARD

Modular "LF Series" furnace allows installation flexibility. Blower and heating sections have separate cabinets with quick mating assemblies. Cooling-coil cabinets provide for the addition of air conditioning. Raywall, Johnson City, Tenn. CIRCLE 254 ON READER SERVICE CARD



Oil-fired cast iron boiler burners incorporate the positive flame principle. No combustion chamber is used. Instead a "Cerefelt" base liner is set in the combustion area. Sizes range from 135,000 to 335,000 BTUH. Peerless, Boyerstown, Pa. CIRCLE 257 ON READER SERVICE CARD



Oil-fired furnaces feature pressurized atomizing oil burners with one- or two-stage pump options for control of fuel supply. Six beltless or belt-driven models range from 105,000 to 168,000 BTUH. Lennox Industries, Marshalltown, Iowa. CIRCLE 258 ON READER SERVICE CARD

Residence, Michigan. William Kessler and Associates Inc., Architects.

Red Cedar shingles and handsplit shakes are twice as resistant to heat transfer as asphalt shingles. Three times more resistant than built-up roofing. In fact, red cedar out-insulates such roofing or siding materials as asbestos-cement shingles, slate, aluminum and architectural glass.*

Red cedar deserves close consideration for architects and builders concerned with the energy conservation of their structures. Its unique cellular structure makes it even more insulative than many other woods.

And the traditional overlapping application method effectively multiplies cedar's resistance to heat transfer.

Add to this the design flexibility and durability of red cedar on residences and commercial structures. It's no wonder the most beautiful roof and sidewall covering you can possibly use is also most efficient.

For more details, write Red Cedar Shingle & Handsplit Shake Bureau, 5510 White Bldg. Seattle, Washington 98101. (In Canada 1055 West Hastings St., Vancouver 1, B.C.)

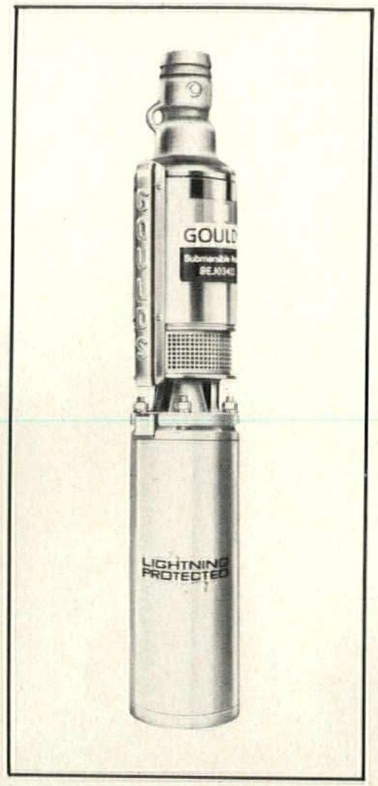
These labels under the bandstick or on cartons of red cedar shingles, handsplit shakes and grooved shakes are your guarantee of Bureau-graded quality. Insist on them.

*ASHRAE Handbook of Fundamentals, 1972 ed., Chap. 20 "Design Heat Transfer Coefficients" Table 3A, pp. 362-63.

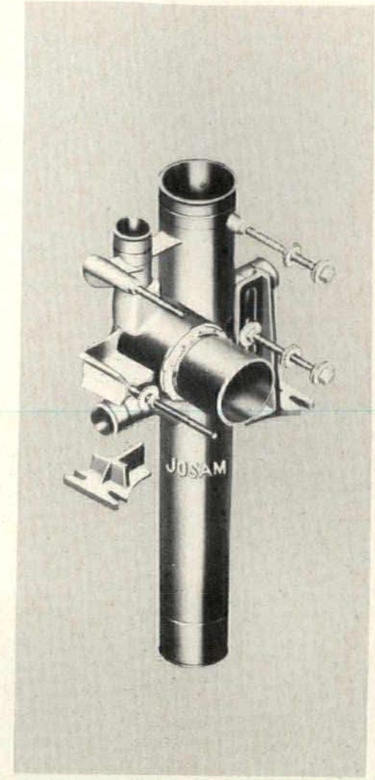
Red Cedar Shingle & Handsplit Shake Bureau

One of a series presented by members of the American Wood Council.

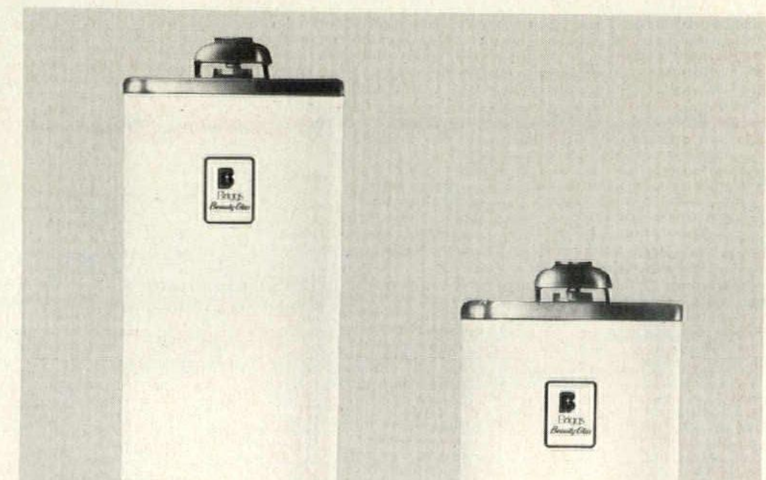
CIRCLE 149 ON READER SERVICE CARD



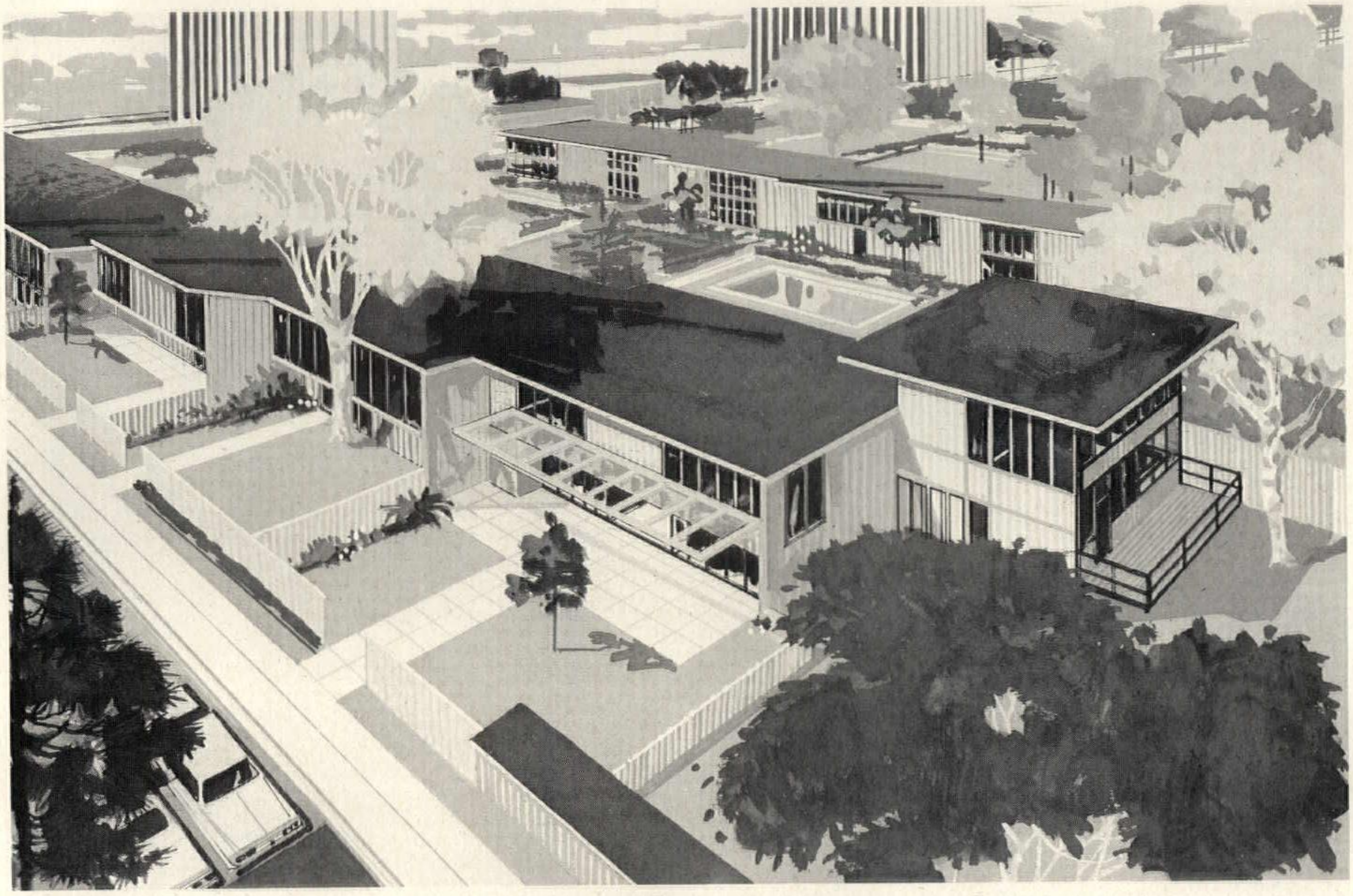
Line of two-wire submersible pumps consists of 31 models suitable for 4" and larger wells. All are powered by Franklin Electric's "Super Stainless" motors with built-in lightning arrestors. Units feature bronze and stainless steel construction, water lubricated bearings and flat bowl design. Goulds, Seneca Falls, N.Y.
CIRCLE 232 ON READER SERVICE CARD

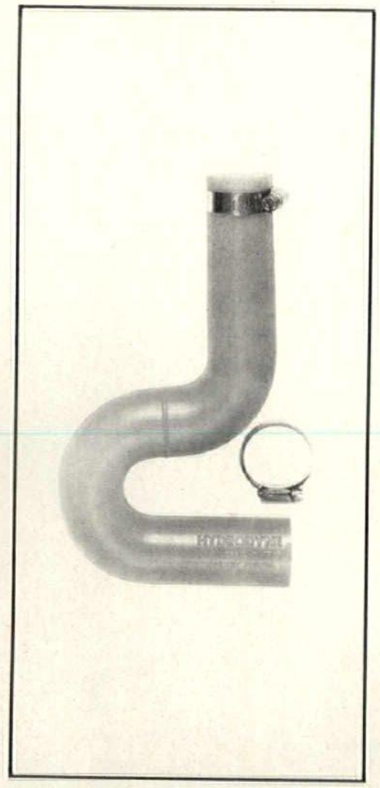


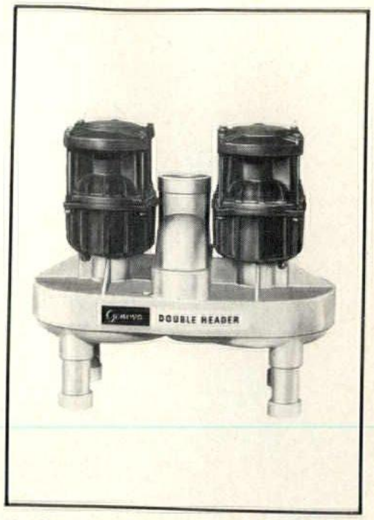
No-hub carrier for use in floor- or wall-mounted water closets eliminates the need for a separate carrier plate. The closet-mounting studs of the "Mod-Stack" are affixed directly into the drainage fitting. Available in 20" and 30" lengths, carriers come with a choice of inlet options. Josam Mfg., Michigan City, Ind.
CIRCLE 233 ON READER SERVICE CARD



Series of gas water heaters, "BeautyGlas R-GRT-5", offers higher BTU inputs than earlier lines. Offered in regular and shorter "Stubby" size units, the heaters feature glass-lined tanks, safety thermostat controls and gas pressure regulation. Briggs, Tampa, Fla. CIRCLE 234 ON READER SERVICE CARD



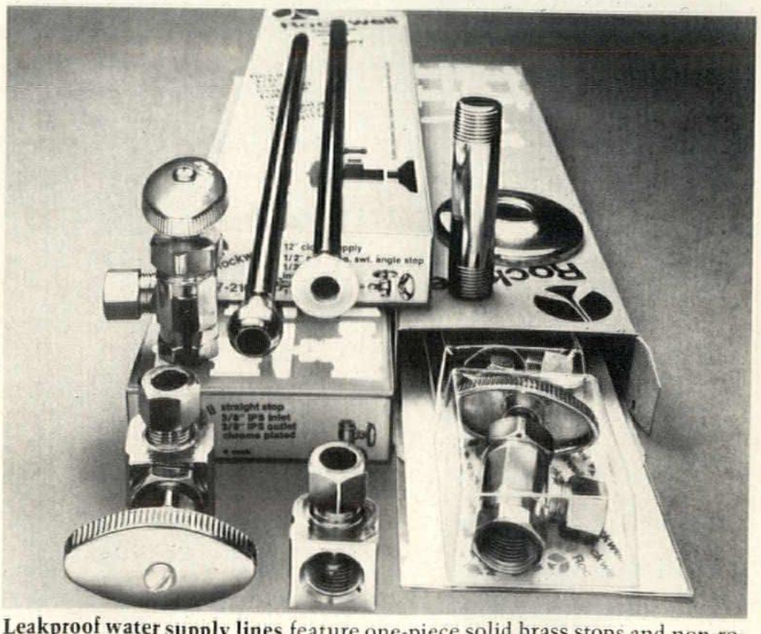




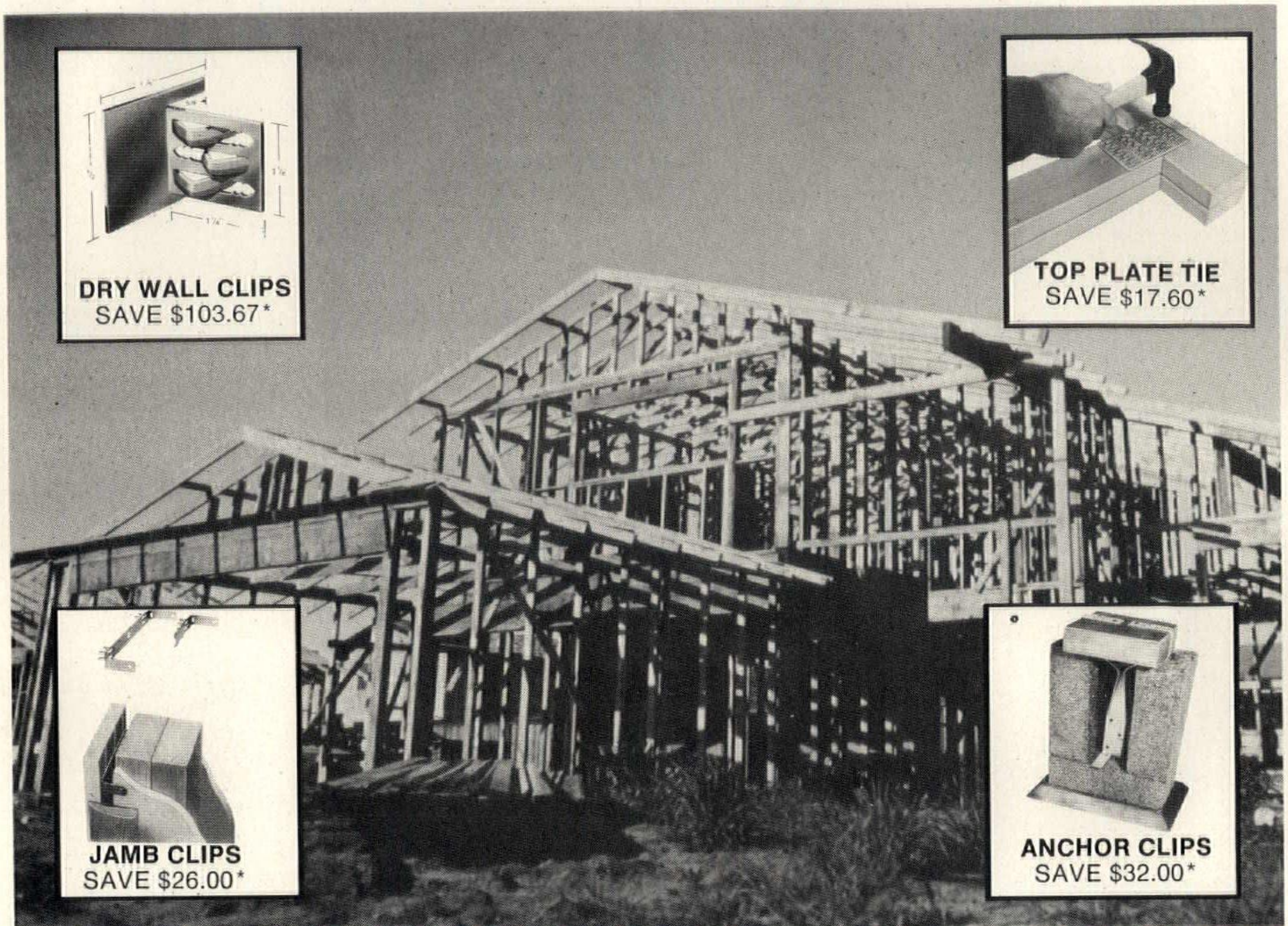
Twin sewage ejector pump, "Double Header", combines two separate pumping units and a common discharge. Utilizing only one pump, the unit has ample capacity for a large house. Should the demand exceed this capacity, or should the unit fail, the second pump starts automatically. Genova, Davison, Mich.
CIRCLE 236 ON READER SERVICE CARD

Easy-to-install "P-trap" for use as a sink drain is molded of a translucent copolymer plastic. The flexible, non-rusting unit won't crack or break from settling, vibration or freezing. Debris which is easy-to-see can be hand pumped through the trap by squeezing the clogged area. Hydrodyne, No. Hollywood, Cal.
CIRCLE 235 ON READER SERVICE CARD

Submersible sump pump, "Trident," is constructed of glass-reinforced, lightweight copolymer materials. The wear-, impact- and corrosion-resistant unit stands up under the toughest sump conditions. Easily accessible outside switch and a check valve to prevent flow-back are standard. Fluitron, Elyria, Ohio.
CIRCLE 237 ON READER SERVICE CARD



Leakproof water supply lines feature one-piece solid brass stops and non-rotating swivel washers that eliminate wear. Triple chrome-plated flexible tubes have precision-shaped, reinforced nosepieces. Building Component, Rockwell, Morgantown, W. Va. CIRCLE 238 ON READER SERVICE CARD



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PVC pipe is discussed in depth in a 32-page booklet. Product attributes are presented. Photographs and case histories of applications comprise the bulk of information. B.F. Goodrich Chemical, Cleveland, Ohio.
CIRCLE 304 ON READER SERVICE CARD

A floor truss system is described and illustrated in a design and engineering manual. The 64-page booklet provides information on construction details, load ratings, spans and depths, etc. Black and white photographs and several charts are included. Truswal Systems, Troy, Mich.
CIRCLE 305 ON READER SERVICE CARD

Metal roofing brochure details properties of the material, fabricability, advantages and limitations. Includes full-color photographs of actual applications. Armco, Middletown, Ohio.
CIRCLE 306 ON READER SERVICE CARD

Prefinished door facings are shown and described in a full-color, four-page folder. Residential and commercial applications are discussed. Masonite, Chicago.
CIRCLE 301 ON READER SERVICE CARD

Single and two-handled faucets are described and shown in 18 pages of full color. Charts list characteristics and model numbers of each unit available. A fold-out page illustrates how the washerless faucets work. Delta Faucet, Greensburg, Ind.
CIRCLE 302 ON READER SERVICE CARD

Aluminum slider replacement windows are discussed in detail. Drawings of window components—head, latch, sash rollers, etc.—accompany text. Brochure is in full color. Season-All Industries, Indiana, Pa.
CIRCLE 303 ON READER SERVICE CARD

Fire-Resistant Steel-Frame Construction includes chapters on building codes, standard fire tests, fire protection materials and methods, structural properties of steel at high temperatures, fire resistance ratings and exposed steel structural members. The book is illustrated. American Iron and Steel Institute, New York City.
CIRCLE 307 ON READER SERVICE CARD

Molding patterns catalog also includes an English to metric unit conversion table and standards for wood interior jambs and frames. It covers both natural and clear molding finishes and paint or overlay grades. Single copies may be obtained by sending $1 in check or money order to Western Wood Moulding and Millwork Producers, P.O. Box 25278, Dept. L-HH, Portland, Ore.

Guide is much needed design aid for multifamily laundry facilities

The *Maytag Architectural Planning Guide* deals exclusively with the planning and installation of laundry equipment in multifamily buildings. This much ignored subject is extensively presented in eight major sections: design criteria, location, quantities and sizes, arrangement, functional relationships, typical installations, technical information, design and materials. Floor plans and numerous illustrations supplement the text. Chapters are divided for easy reference by brightly colored index tabs. The 107-page padded ring-binder—prepared by Maytag in consultation with The Architects Collaborative; Esherick, Homsey, Dodge & David and Francis Associates—is available for $20 from The Maytag Company, Dept. HH-L, Newton, Iowa 50208. Name of each purchaser will be registered with Maytag so that updated material can be forwarded periodically for inclusion in the guide.

Carved wood entry doors are displayed in color. Instructions for proper finishing of doors, details of construction and a list of specifications are included in the booklet. Simpson International, Seattle, Wash.
CIRCLE 308 ON READER SERVICE CARD

Design Specifications for Light Metal Plate Connected Wood Trusses has been recently revised. The 44-page, 9"x6" booklet can be ordered for $3.50 plus 30¢ postage. Write Truss Plate Institute, Dept. L-HH, Suite 205, 919 18th St. NW, Washington, D.C. 20006.

Stainless steel selection and application guide covers advantages of the product, brief descriptions of actual applications and data on strength, corrosion resistance and exterior use. Chart and photographs supplement text. Republic Steel, Cleveland, Ohio.
CIRCLE 309 ON READER SERVICE CARD

Red cedar shake and shingle roofing booklet gives details on design, fire retardant properties, specifications and installation. Included are special full-color photographs of actual product installations. Koppers, Pittsburgh, Pa.
CIRCLE 318 ON READER SERVICE CARD

CIRCLE 154 ON READER SERVICE CARD

CIRCLE 80 ON READER SERVICE CARD

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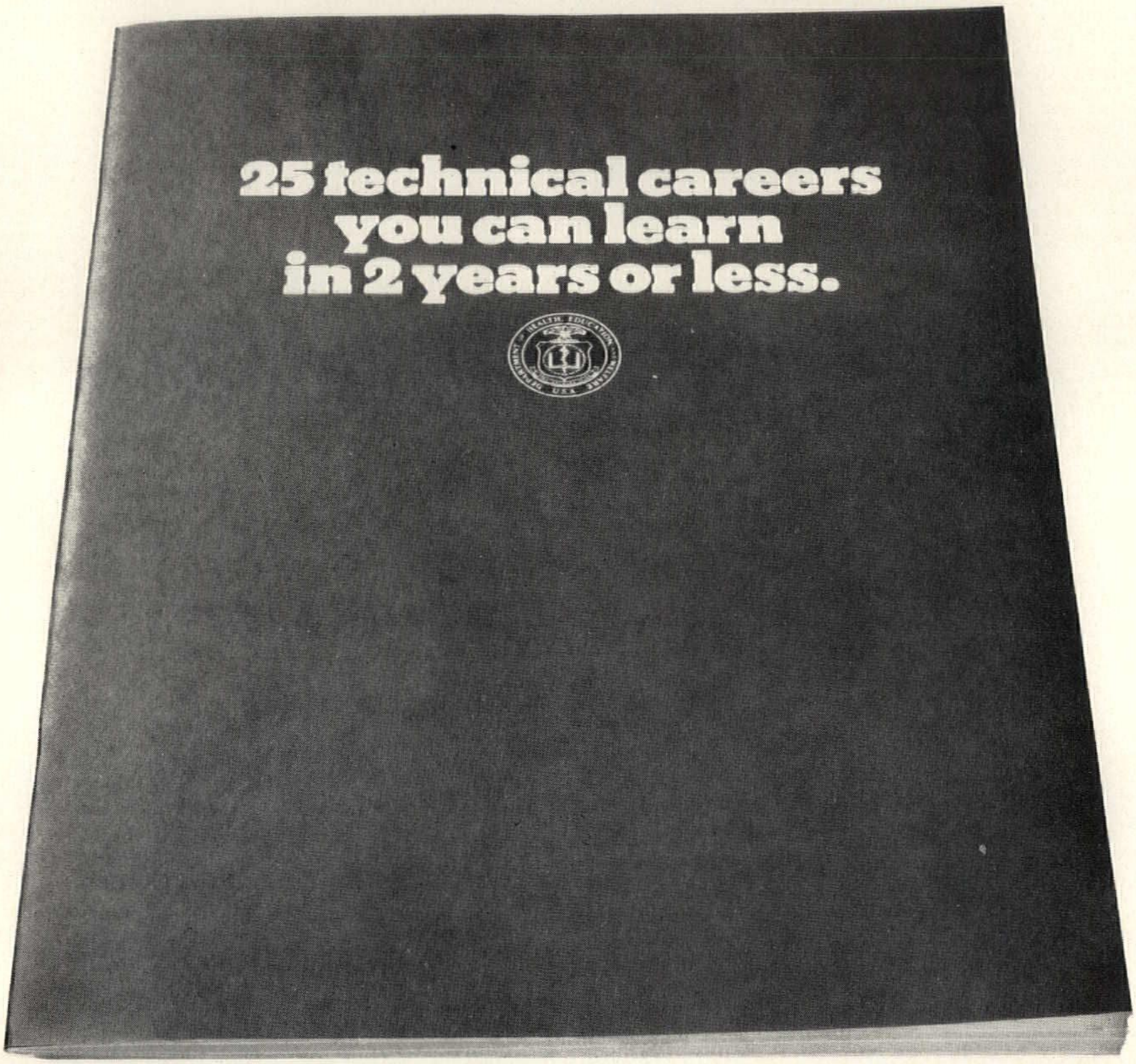

If you're in a business that operates with the help of good, qualified technicians, you know how hard it is to find good, qualified technicians.

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For one reason or another, many kids don't know about these good jobs.

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It consists of two parts. One is a seven page booklet giving all the facts on technical careers, technical schools and financial aid.

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You can help by handing out the booklet and seeing that the poster is displayed in high schools, churches, youth clubs, wherever young people get together.

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A Architectural File (green)
I Industrial Construction File (blue)
L Light Construction File (yellow)
D Interior Design File (black)

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