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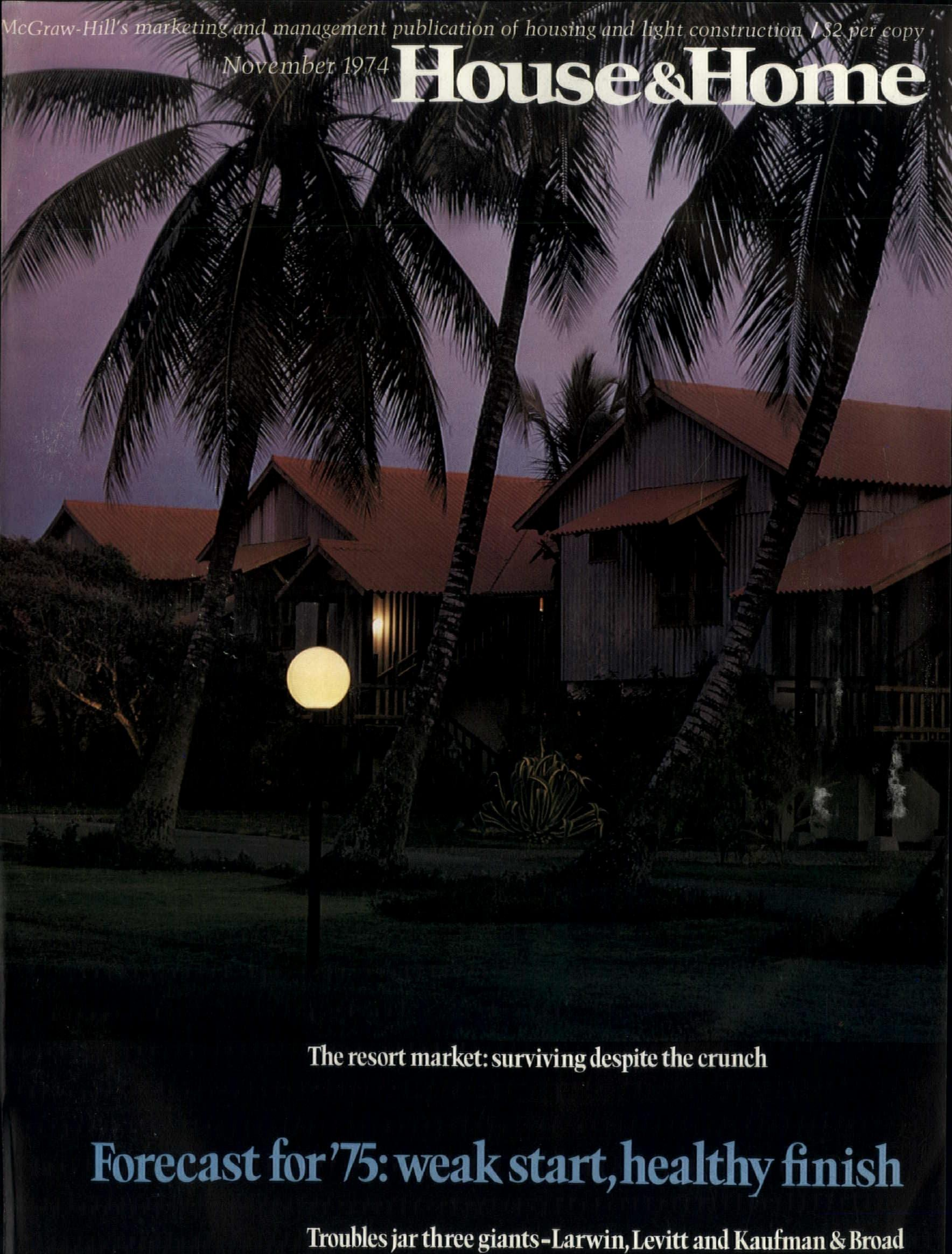
November 1974

House & Home



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House&Home

McGraw-Hill's marketing and management publication of housing and light construction

Volume 46 Number 5/November 1974

FEATURES

NEWS

DEPARTMENTS

Cover/*Casitas* at Hotel Romana near Costasur
Photo: Paul Barton, *see page 68*

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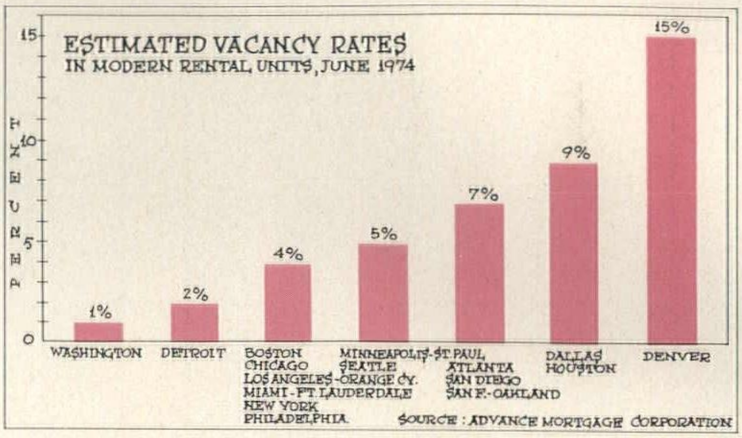
CIRCLE 4 ON READER SERVICE CARD

Rental-apartment shortage looms; builders turn backs on demand



We're getting close to a rental shortage in many major markets.

Yet developers are not building to meet this demand—and tight money is only part of the reason.

When developers finally do return to the rental market, there is a danger they may do so all on the same swing of the pendulum—and that may bring on overbuilding in place of today's undersupply.

Only about 475,000 apartment starts are projected for this year, of which only about 325,000 will be rentals. This compares with an estimated 610,000 rental starts in 1973 and 770,000 in 1974.

These are findings of Advance Mortgage Corporation's current survey, "U.S. Housing Markets," which compares housing trends in 17 major local markets. Advance, with headquarters in Detroit, is a subsidiary of Citicorp, New York City.

Rising rents. The fall-off in building is having the expected effect on rents. Economist Eliot Janeway warns that apartment rents will triple over the next three years.

He also says many potential buyers, and particularly the young couples that would normally buy houses, are not only priced out of that market but out of the condominium market as well. The result is a scramble for apartments.

Vacancies. In more than half the markets covered in the Advance survey, vacancies in modern rental units are reported at less than 5%, in several less than 3%—and they're still declining. Except in Denver, none of the other major markets in the survey had vacancy rates as high as 10% in modern units.

In Houston only recently an extremely soft market, vacancies are declining nearly 1% a month. In the Washington, D.C. area, the vacancy rate is close to zero and the rental stock is being depleted by heavy conversions to condominiums.

Rising demand. Advance's senior vice president for income loans, Phillip L. Hendershott, says normal demand is being swelled by the thousands of families priced out of today's house market. He says supply has been curtailed by an almost universal stretchout of completion schedules, which reflects materials shortages.

And further tightening is in store.

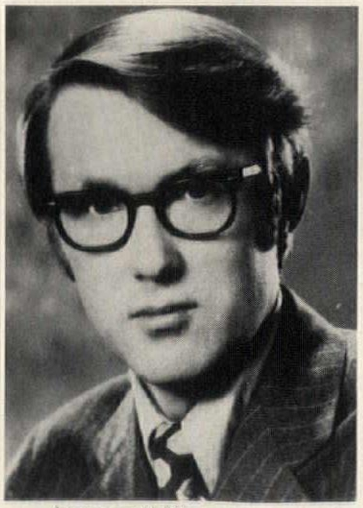
"In a few months," Hendershott says, "another decline in rental completions will begin reflecting last year's slowdown in starts.

"Yet developers are not building to meet this demand. Fewer permits for rentals will be issued this year than at any time since 1961 and 1960, years when apartment living was the pattern of only a few crowded cities."

Obstacles. Hendershott offers a three-part explanation for developers' reluctance to serve an eager market.

First, construction costs are running out of control so that most projects come in at a higher cost than was projected at the time of financing.

Second, developers need much more cash equity to build this year. The loans available to them are smaller in proportion to their project's net income. (This is due to what the trade calls a higher capitalization rate. It is, in part, an adjustment to the higher interest rate now being charged.)



ADVANCE'S HENDERSHOTT
'Developers . . . are not building'

Finally, though rents have been rising, they're still not high enough to yield a fair return on this high cash equity.

Warning. "Most developers," Hendershott says, "are fighting shy of the rental market until they get the right cue: either a big jump in rent levels or a significant decline in interest rates or construction costs.

"That reasoning, however, will bring more of the cycle of underbuilding and overbuilding that has plagued so many markets."

Only a few, mostly large, developers are bucking the trend. They are building now so they can get to their rental markets when they will be tightest.

"These developers," Hendershott explains, "are sufficiently well-capitalized to accept the risk of cost overruns or some years of operating losses and their lenders recognize this. They finance with convertible three-to-five year loans and postpone permanent financing until their project is rented up. At that point they can command better terms on their permanent loan and can fold in their cost overruns."

Some overbuilding. There are a number of paradoxes in this tightening rental market.

Just the opposite of the tight major-market picture is found in many smaller markets.

A sampling of six medium to small markets in the Advance survey found all suffered from instant overbuilding as a result of the apartment boom of the past three years. Vacancies in Colorado Springs, for example, were running 20% to 40%. In the Algiers-Gretna area of New Orleans, vacancies range from 20% to 40%. In the first half of this year, apartment permits declined 97% in Colorado Springs (with the help of a natural gas moratorium), 90% in New Orleans, 75% in Albuquerque and in Tampa-St. Petersburg, (where the overbuilding is in condominiums), and 67% in Austin, Texas.

Condominium glut. In a number of the markets where rentals are tightest, there is an oversupply of condominiums. In Miami-Fort Lauderdale, for example, 14,000 to 18,000 completed condominiums are going unsold, and the inventory is increasing at the rate of 700 units a month.

Yet the condominium share of the apartment activity remains high in most major markets. It has fallen significantly only in Atlanta, Chicago and Detroit. Elsewhere, permits have fallen but no more than rentals. In Washington, rental projects are being converted to condos before completion.

Financing for rental apartments, the Advance survey reports, is becoming scarcer as well as high-priced. Insurance company funds have been curtailed by a second year of heavy policy loans and by competition from bond departments; and savings banks, hard hit by withdrawals, are almost completely out of the market.

Mortgage money. There are limited funds for mortgages to be disbursed in 1975 or 1976, almost none for 1974. Some lenders are stipulating a flexible payout date, within a range of several months, depending on their cash flow.

"This tight situation could change," Hendershott observes, "if inflation decreases or even if it levels off. Then the lenders will try to put out more funds to take advantage of today's high interest rates, and the rates themselves could eventually weaken."

Construction financing, the survey reports, is even scarcer than permanent mortgages. Most banks have withdrawn from this sector. A few large mortgage companies are trying to fill the place of the banks and the now largely inactive REITs in construction and intermediate-term lending. At least one lender will make construction loans without a takeout.

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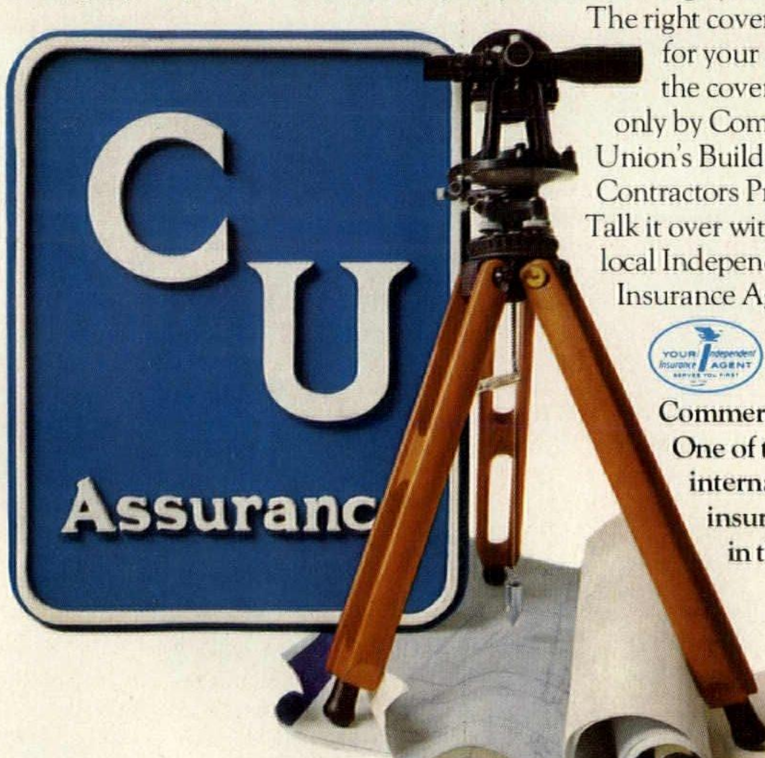

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CIRCLE 8 ON READER SERVICE CARD

Kaufman & Broad diving into red for first time in 17-year life

The nation's largest multi-national housing producer will close 1974 deep in the red.

Previously unstoppable, even in the depths of housing recessions, Kaufman & Broad will probably lose upwards of $10 million in the fiscal year ending November 30. It will be the company's first deficit in its 17-year history.

A whopping $20.8-million loss in the third quarter spiked K&B's chance of turning a profit this year. The deficit for the first three quarters was reported at $16.9 million, a sharp reversal from 1973, when K&B showed a profit of $13.9 million for the year.

What went wrong? For prospects were not this gloomy for K&B last spring, when its executives were predicting a strong year.

No longer immune. Several events overtook K&B's rosy predictions, including a furor over energy and a credit crunch. Both have jolted the housing industry for most of 1974.

In the past, however, K&B had always taken such adverse developments in stride, often increasing sales and earnings during periods of tight money and housing slowdowns. Company officials attributed this success to K&B's wide national and multi-national capability. When one market soured, another took up slack. If a company was big enough, it could ride out the recessions that drove lesser builders to the wall.

But the 1974 slowdown was not the garden variety. President Eugene Rosenfeld of K&B described it at mid-year as "a convergence of external factors—unprecedented inflation, tight money, record-high interest rates, an energy crisis and weakened consumer confidence—unlike anything we have witnessed in our 17-year history."

It was all that and a little more for K&B in 1974.

A world of trouble. What has hurt the company most this year has in fact been international in scope, and it has affected almost all of K&B's locations. Those locations are spread through 14 housing divisions in four countries—the United States, Canada, France and Germany.

The Canadian and European divisions accounted for $108 million, or 41%, of fiscal-1973 sales from continuing housing operations. More importantly, those operations accounted for 73% of 1973 income from housing activities.

In 1974, however, foreign sales have failed to offset K&B's deepening domestic losses. Of the domestic operations, only the two California divisions are doing reasonably well. Michigan and Illinois took the greatest losses, for those were the areas where the energy problem had the heaviest impact.

Profit squeeze. The most serious domestic setback for K&B came in the third quarter, when the company took a $6.4-million inventory writedown to cover a decline in Midwestern land values. That fall-off was a result of a soft housing market, and land sales continue slow in the area.

K&B's Rosenfeld
'A rotten year'

Nonetheless, K&B's domestic problems cannot be traced entirely to reduced housing starts. Through the first half, the company's own starts ran about equal with the first half of 1973. Rather, K&B is—along with other builders—caught in a profit squeeze caused by rising construction costs and expensive borrowing rates. Both pressures are mounting, according to Rosenfeld, at a time when mortgage rates and a lack of consumer confidence make it difficult to recapture higher costs by raising house prices.

Housing operations will show a loss in the fourth quarter as well as for fiscal '74, Rosenfeld concedes. The pre-tax loss was $21.9 million for the first three quarters, compared with a $4.9-million profit for the first half. Domestic on-site housing sales fell 30% in the third quarter.

'Dishonesty.' Problems have not been confined to K&B's domestic operations. The company has set aside $3.7 million for losses in its West German housing subsidiary. This loss, said Rosenfeld, was larger than previously anticipated.

"The German economy is experiencing the cost pressure of inflation and high interest rates similar to those in the U.S.," he explained. "Internally, the subsidiary has suffered cost overruns, mismanagement and dishonesty by certain employees and vendors, activities which our company is investigating and (for which it) intends to seek restitution."

Non-housing losses. There were three other developments that jarred K&B:

- The company recently wrote down its 700,000-share investment in Telecommunications Inc. by $5.4 million because of the low market valuation of the CATV industry.
- In the third quarter, the company provided $3.5 million for expected additional losses in its discontinued mobile-home business. Operational losses are figured at $1.3 million, and $2.2 million has been set aside for mobile-home plant disposition. Management cited the recent sharp turndown in the company's mobile-home business.
- At mid-year, K&B sold its leisure industries, a wholly-owned subsidiary involved in the vacation homesite development business. The loss reduced net by $2.8 million.

The profit side. Not all the news is bad. Sun Life, K&B's insurance subsidiary acquired in 1971, showed record profits of about $5.6 million at end of third quarter. Sun Life is expected to continue its performance through the fourth quarter.

Two minor operations, established in 1973, are also doing well. The urban highrise condominium division is building its first development, a 21-story community of 340 units in Cliffside Park, N.J. The project is on schedule and almost 50% sold. And K&B's custom homes division, a precut housing operation that sells designed homes to owners of individual lots, is also on target.

Outlook: somber. The usually ebullient Rosenfeld makes no bones about the problems.

"We see little evidence," he says, "that presently high interest rates will materially decline or that weak consumer confidence will strengthen in the near future. Nor do we believe that any meaningful assistance to housing consumers will be forthcoming from the government. Unfortunately, housing has been shouldering a major portion of the government anti-inflation program."

Rosenfeld seems to have iced over his enthusiasms for 1975. Asked to comment on what the recent miniscule drop in the prime rate might presage for housing, he said sharply:

"If you see the prime drop again and again, that will mean something. If it was done because of recent economic summit meetings and some bankers are afraid controls may be imposed, then it's meaningless."

The K&B president confirms that the Canadian market, where the company has its most profitable housing division, has softened.

Management problems. Rosenfeld discounted recent charges that lack of capable division management hampers a K&B recovery.

Admitting problems with the Illinois division and more recently the West German division, Rosenfeld said that the company has instituted rigorous financial controls. Leroy Goldman, an executive vice president retired in 1972, is returning as chairman of the committee on administration and internal audit.

Neither does Kaufman and Broad agree with criticism that its recent $7.5-million commitment for repurchase of approximately 12% of its 16,000,000 shares was premature, in view of the uncertain outlook for near-future earnings. The stock, from a high of 14 last spring, had fallen to 2¼ in October.

The long pull. The company is still convinced its long-term outlook is very favorable.

"This has been a rotten year," says Rosenfeld. "We've had a number of good years, though, and the basic company characteristics are still there.

"Next year will be better than this year for K&B, and I think we'll see a turnaround in 1976."

—Mike Murphy
McGraw-Hill World News,
Los Angeles


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CNA cuts off credit, Larwin cuts output—and Weiss cuts out

Just when the Larwin Group Inc. was saying to itself, "Things couldn't get worse," they did.

Already hit by a fading mortgage market, a class-action lawsuit and a surprise switch in top management, Larwin has been dealt a double blow by its parent, CNA Financial Corp. of Chicago, and by 11 banks renegotiating a loan on which Larwin has defaulted.

The CNA management has cut off all financial support to Larwin. And the banks are exacting some tough requirements in exchange for agreeing not to call in the $145-million credit agreement and thus send Larwin into a critical—or even terminal—financial squeeze. For the first six months of 1974, Larwin lost $36.7 million.

Exit Weiss. Dissatisfied with the new rules, Richard Weiss, recently named president of Larwin, announced his surprise resignation last month. His move left the company a mere remnant of the aggressive, dominating influence it had once been in the homebuilding industry.

Weiss said he resigned because of "substantial differences between CNA financial management and myself relating to the future of Larwin and the ongoing relationship between Larwin and its banks."

The problem apparently stemmed from disagreements over how much Larwin should be whittled in order to satisfy the banks and the parent. Weiss said that there had been an "ongoing lack of accord" between Larwin and CNA, which has "consistently published statements indicating that its anticipations about Larwin are not the same as mine."

Phase-down. As part of the agreement with the banks, Larwin pulled back from all construction activity except for single-family homes in California and Nevada. The company is completing 42 houses under construction on Staten Island in New York City and is finishing 120 in Illinois and others in Washington, D.C. It is starting no new construction in those areas, however, although it will fulfill commitments for 300 houses "in the Atlantic region." A $100-million project for 2,800 units in Gurnee, Ill., will probably be scrapped.

Larwin will reduce the number of its employees from a high of 1,900 to 450 by early next year. But the company still plans to build 2,000 homes next year, and if it does, that will equal the number of homes built during the year Larwin was purchased by CNA—and with about the same number of employees.

"Larwin has got to build itself again," said one official.

Problems. The curtain has not yet fallen on Larwin's problems, which have made the big homebuilder almost a symbol of the industry's woes.

The monkey on Larwin's back is the $145-million credit agreement, and until the banks are satisfied that Larwin is a viable company, the homebuilder must operate with one foot near the grave—or at least in the bank's executive office. And CNA, itself struggling with a troubled insurance business, will be giving Larwin only limited help.

'Rough months.' Before resigning, Weiss predicted that Larwin had some "very rough months ahead." This is why:

Bankers, led by Security Pacific in Los Angeles, the agent bank in the credit agreement, will sit on Larwin for months until they are satisfied that the company is sound. According to a tentative agreement arduously worked out with the banks by Larwin and CNA, the banks will continue to fund mortgage requirements—which Larwin would not be able to fund otherwise, because of the depressed market—and as a result the banks will make up Larwin's cash shortfalls.

Tap on income. The banks will simply tap Larwin's cash flow for the money owed to them directly. Of the $145 million, the banks will allow Larwin to use $45 million for construction loans to build houses. The remaining $100 million (plus interest) will be paid off "as the resources are available," said one source, probably by quarter or by month.

Larwin will have to live with the banks looking over its shoulder until that portion of the loan is repaid. After that, it will finance any new starts with interim construction loans.

Surprise for new man. The latest round of problems began when the banks looked into their Larwin file and found that the company's net worth had fallen $14 million below the minimum $111 million required by the unsecured agreement. The decline traced to first-half operating losses that developed when Larwin cut house prices and mortgage rates in an effort to maintain cash flow.

The default stunned even A. Bruce Matthews, the CNA senior vice president who replaced Larwin's founder, Lawrence Weinberg, as chairman and chief executive officer [NEWS, August] after Weinberg abruptly resigned. Matthews had walked into the job with a mandate to renegotiate the loan by the end of September, when the banks could have converted the credit to term notes due in 10 quarterly payments. The default was a body blow to those plans.

'All of a sudden—default.' "I didn't realize this was coming up on us so fast," said Matthews. "It looked to me like we could make it through to September, and renegotiate the terms of the agreement to make it more livable. All of a sudden we were in default and had the gun at our head, and had to renegotiate against the default. The banks could have closed us down."

"Some would have let Larwin go bankrupt," said Matthews, "but I wouldn't do it and CNA wouldn't do it. We had a moral obligation to work it out."

The severity of Larwin's problems also came as a surprise.

"I didn't see it previously," said Matthews. "All of a sudden it looks like I'm beat."

$88-million loss. The new agreement is supposed to allow Larwin to work out of the bank debt, and avoid potential defaults and bankruptcy. But Larwin will be carrying a heavy load.

"The banks are in the driver's seat," said one official. "At any time they can change the terms."

Larwin and CNA officials indicate they might push for a more "definitive" arrangement with the banks early next year.

But in the meantime, CNA has bailed out of Larwin, at least to some extent, by withdrawing all financial support for the foreseeable future. By following the advice of auditors, CNA will hold its losses in loans to Larwin at $88 million. The parent will also convert some Larwin debt into preferred stock as part of the agreement with the banks to require the builder to maintain a positive net worth. These actions leave Larwin with $25 million to $30 million in "solid" assets, compared with $90 million at the beginning of the year.

Parent's concerns. The CNA management insists it is not walking away from Larwin. It says that the stock market's decline has put the insurance company—the front runner for the holding company—in trouble and that retrenchment is imperative.

Where Larwin goes from here is anyone's guess. With Weiss gone, the company loses the last major figure instrumental in its growth. Weiss was praised by CNA, after he resigned, for his "excellent" management, and he exuded optimism about Larwin's prospects to the end.

But the bank officials, who are firmly in control, took the Weiss departure with nonchalance. "He was a carryover," said one. "I don't think the banks are too concerned over his leaving."

On a short string. Reliable sources say Weiss had been pressing for long-term credits for Larwin and that the banks refused to provide them after the default. The bankers are determined to treat Larwin "on a secured basis, like everybody else," one official said. "Without CNA's ownership, Larwin would never have gotten an unsecured line of credit."

Beginning this month, the banks will review Larwin's monthly budgets—and they will veto loans for projects if they wish. They have also purchased "many millions of dollars" in long-term loans from mortgage companies "to provide Larwin with cash to operate."

The banks plan to keep Larwin on a "short string." How short? When asked if the banks would approve Weiss's successor, the official said: "They (CNA) probably aren't going to ask us whether the one they appoint is satisfactory to us. I hope they will, but if they don't, and we don't have confidence in him, then we are in position to tighten the screws."

—DENNIS CHASE
McGraw-Hill News, Chicago

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Levitt and Sons unsold at deadline—Is it a colossus or carcass?

Meatpackers have a crude but apt motto:

Sell it or smell it.

The suspicion is taking form in the minds of some observers of ITT's effort to divest Levitt and Sons that the phrase applies to more than meat. Despite wide-ranging efforts to track down a buyer [NEWS, July], the conglomerate was unable to meet the Sept. 24 divestiture deadline set in a consent decree signed with the Justice Dept. in 1971. Instead, ITT has proposed putting its homebuilding subsidiary under trusteeship.

A source knowledgeable about the legal jockeying between ITT and the Justice Dept. at the U.S. District Court in Hartford Conn. alleges that ITT is seeking the kind of trustee—say a retired congressman 2,000 miles away from Levitt headquarters—that will keep a "hands off" attitude toward Levitt management.

In announcing the proposal, an ITT spokesman said:

"There is no secret that the housing industry is in bad shape, and Levitt has suffered as a result."

Bill Levitt: No sale. The mere acknowledgment of trouble in the company was quite an admission for ITT, which normally keeps perfect silence in public about conditions at Levitt and Sons.

About the much publicized deal to sell the subsidiary to Bill Levitt [NEWS, March], for example, the big conglomerate's spokesman would say only:

"The letter of intent has expired."

Other negotiations to sell the giant homebuilding concern have also blown up, and there's the whiff of something other than gunpowder about them.

Olin's exit. One set of discussions was with Olin-American Inc. of Dallas, the housing subsidiary of Olin Corp.

"We had a complicated deal under consideration that would involve severing much of the land inventory from the company and liquidating it," said Jack Horton, vice president of finance. "That deal is dead."

Gulf's retreat. Other discussions were held with Gulf Oil's housing arm, Gulf Oil Real Estate Development Co. in Reston, Va. Those talks, if it is conceivable, were apparently even less satisfactory. William C. Cox, vice president of finance for the subsidiary, explained:

LEVITT'S CORTESE
Another old hand leaves

"We couldn't see Levitt selling enough houses to cover the carrying costs in today's economy. And we couldn't see turning it around in the foreseeable future."

Was ITT's asking price too high?

"The asking price didn't enter into it," said Cox.

"Even at giveaway prices, we didn't want it."

Ohioan's protest. Another negotiation was clearly broken off by ITT. It was with builder Samuel J. Fountas of Columbus, Ohio. His attorney, James Simakis, also of Columbus, said recently, "We haven't heard from them in some time. They wouldn't negotiate."

Simakis confirmed that Fountas had therefore filed a motion in U.S. District Court in Hartford, Conn. asking for consideration by the court as a potential buyer before Levitt and Sons is sold off to anyone else or placed in trusteeship.

An offer halved. "Our offer to purchase still stands," insists Simakis. He added that Fountas heads a syndicate of four developers around the country who would divide the Levitt empire among themselves.

"Of course," added Simakis, "the structure of our offer will have to change—there's no way it could be made on the same basis as before."

(Simakis had previously said Fountas offered $70 million for the homebuilding concern in its entirety—$10 million down and terms for the rest, provided he had ITT backing for Levitt's debt load.)

"With the prime rate where it is, and given today's market, it's a different world now," said Simakis. "We have no particular bid in mind at the moment, but it would have to be lower. Off the top of my head, I'd say half or less of our previous offer."

All that's left. The Fountas motion paints a picture of Levitt and Sons suggesting other reasons for cutting the bid. The motion says Levitt has amassed $195 million in debt, much of it short-term; that the homebuilding concern has been losing money at the rate of $5 million a quarter; that its losses have substantially reduced its net worth; and that—most startling of all—while Fountas has bid for the company as a viable, going concern, Levitt and Sons was no longer in that condition.

"Levitt and Sons," the motion claims, *"does not now have the internal, independent capital or capacity to borrow funds necessary for reasonable business operations."*

Levitt's reaction. A spokesman for Levitt and Sons refused to comment on the allegations.

A normally optimistic source inside company headquarters at Lake Success, N.Y. was then asked about that last allegation. He argued that ITT would be constrained to support the company while it was in trusteeship, and that a large buyer presumably would too. But, asked again about *"internal, independent* capital or capacity to borrow," he reverted abruptly to "no comment."

In another development, Ed Cortese, vice president and director of corporate relations and a Levitt and Sons stalwart since 1968, resigned suddenly last month. No reason was given for the departure by the spokesman revealing his resignation. He joins a long stream of executives who have left during ITT's ownership.

Whatever Levitt and Sons' internal condition, today's chaotic financial situation hardly makes for a seller's market in housing companies. Even Simakis was moved to remark: "You know, from their point of view, maybe they shouldn't try to sell Levitt now."

A year ago, or two, was the time (in retrospect) for ITT to follow the meatpackers' advice. Now, buyers with noses seem too fastidious to act. Perhaps another selling opportunity will appear in the future, if ITT waits it out.

—HAROLD SENEKER

Commercial building is in a slide, too

This year's recession-without-a-name doesn't affect homebuilding alone. It may be cold comfort, but the industry has company, for commercial construction's three-year boom is fading fast.

That's the clear meaning of statistics just published in the *Commercial Construction Markets Survey.* The survey is a new quarterly review of regional markets prepared by Shiefman & Associates, a Detroit research and public relations firm.

Permits down. Square footage authorized under new permits, to use only one leading indicator, is dropping rapidly in most categories in most areas.

Consider retail structures. The early score was 7,745 permits for 100.9 million sq. ft. this year, where last year it was 9,900 and 113.3 million.

An apparent rise in permits for new office space, the study concludes, is a fluke. Much of the new action is to be found in dismally overbuilt or moratoriumed markets. (One such is Manhattan, with 1½ million square feet of ill-timed construction. The famed Wall Street area will become the site of vacant land just as soon as vacant office buildings there can be cleared away).

Only industrial building is clearly up: ahead a whopping 60% or so in middle-sized and smaller markets, although off 11% in major cities.

Causes. The cause is obvious—inflation. But with a twist, as Shiefman & Associates point out. It's not lack of mortgage money, which can be had—at a price—for income property. Nor is it the price of land. The study finds that land costs are leveling off.

Rather, Shiefman found, there are two other problems: 1) building costs are rising so fast as to defy predictability and 2) bankers are capitalizing projects so cautiously as to roughly double the developer's need for cash.

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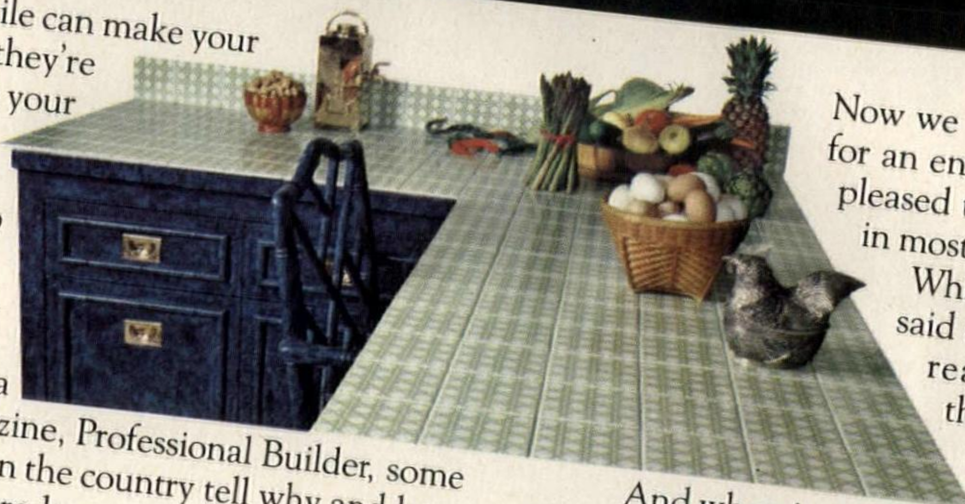

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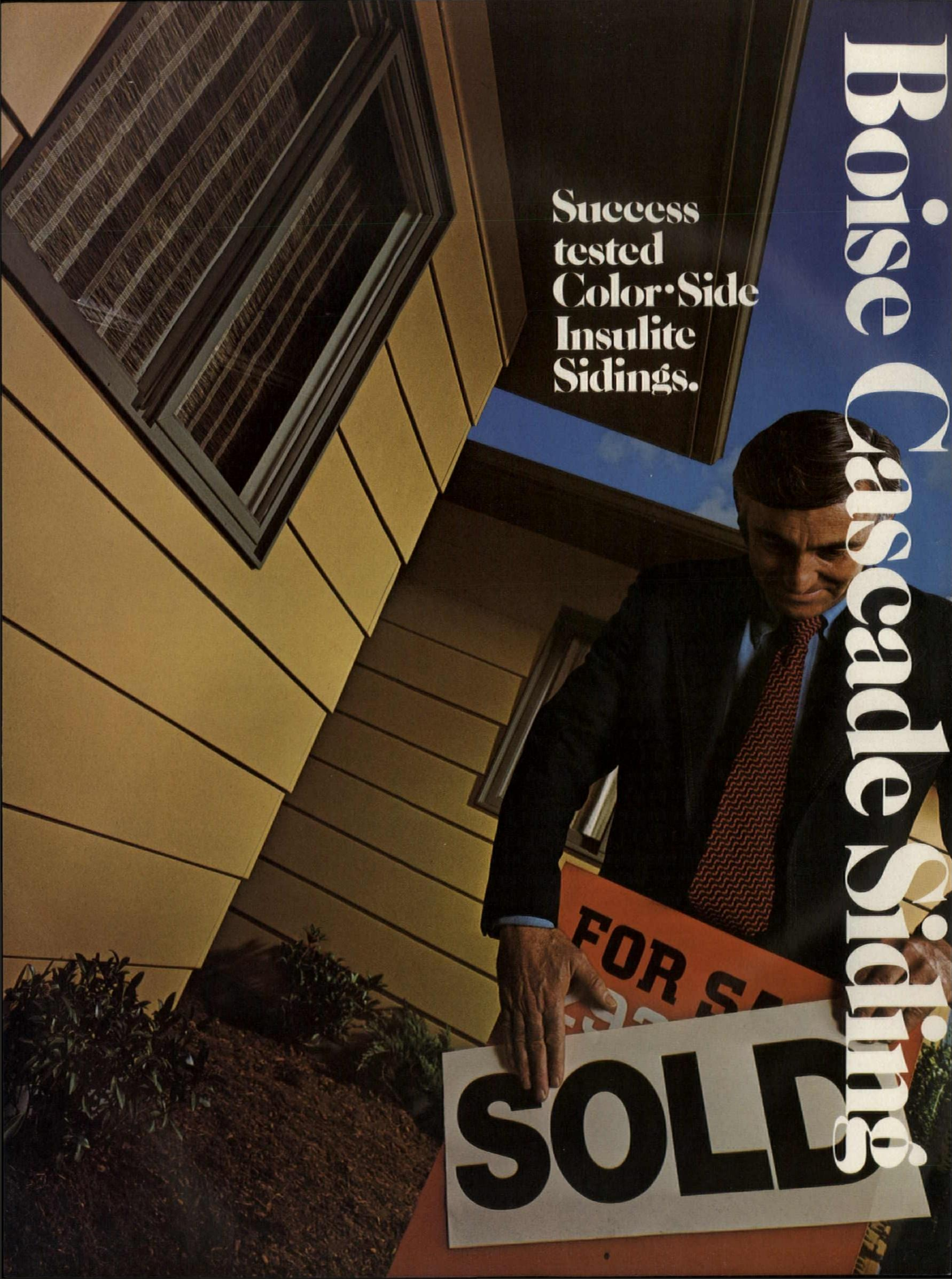
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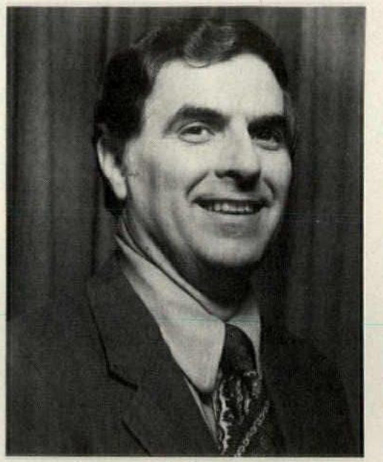
That mortgage-market miracle, Amminet, am-a-not doin' so hot



AMMINET'S BENNEWITZ
'I'd like . . . a limited service'

BROKER GOW
'May be successful someday'

Several months into its one-year test run, the new automated mortgage-market information network—Amminet—has triggered fewer trades than you can count on your fingers.

Some 250 subscribers are paying $400 a month to exchange buy-and-sell mortgage data via computer screens installed in their offices. The screens show a not inconsiderable traffic in sell offers all right, but buyers are all but nonexistent. And nobody is flashing on screen any offers of cash available for secondary-market purchases.

This is not precisely what had been hoped for when the organizations sponsoring Amminet put up $50,000 each to fund a 12- to 18-month pilot project that started last July. The American Bankers Assn., one of the sponsors along with the Federal Home Loan Mortgage Corp. and the big housing-finance associations, talked of Amminet's ultimate contribution to secondary-market liquidity as running to "billions of dollars."

Faulty premise? The worst mortgage market in nearly a decade is throwing into question the basic premise of Amminet—that it would generate more liquidity for secondary trading through its computer's ability to create a central market. The market was expected to expand in self-feeding fashion as more and more potential buyers and sellers were drawn into it.

But the track record of the pilot project so far merely encourages Amminet's critics. Many of these are the mortgage brokers who have long been doing—and doing well—the work that Amminet would turn over to the computer. Says William Gow, president of Huntoon, Paige & Co., a New York brokerage that used to handle $1 million a day in trades in better days:

"Amminet may be successful someday, when there is a tremendous amount of money for secondary-market purchases—but that doesn't happen often."

And Marilyn Brown, executive vice president of Eleford & Co., another blue-chip brokerage in New York City, questions whether the computer facility could pay its way if lush money appeared tomorrow.

"If business were good, they'd be so busy they'd turn off the machine," she contends.

The personal touch. Brokers contend that the nature of mortgage trading makes personal contact indispensable. They insist that the machine merely slows the process by the amount of time it takes to print out the specifications for a block of mortgages on sale.

Worse still, it is alleged, with no broker involved in an Amminet transaction, sellers are in a position to practice bait-and-switch tactics and other forms of chicanery upon buyers.

Brokers are excluded from Amminet, when they are acting as intermediaries, because the Securities and Exchange Commission was willing to exempt Amminet trades from securities registration requirements only on that condition. The assumption by the SEC was that principals in a mortgage-market trade would be sufficiently specialized to obtain from one another the kind of securities disclosures that are contained in registration statements, but they might not get this information if intermediaries were involved. The SEC also reduced Amminet's potential role—and its efficiency—by decreeing that actual trades must be made by phone and never on the computer itself.

Brokers can move into Amminet if they have sufficient capital to take positions in mortgages and make a market in them, but few can afford this.

Doubts on survival. A more impartial view of Amminet comes from subscribing firms. But while they tend to defend it, they also indicate present usefulness is limited to guidance on what prices other secondary-market sellers are quoting. There are serious doubts whether it can survive the present financial climate.

Says one user, Robert Sparr, president of a mortgage-banking unit affiliated with the California Savings and Loan Assn. in Los Angeles:

"I'm on the secondary-market committee of the U.S. Savings and Loan League (an Amminet sponsor), and I hope Amminet will survive. But I doubt it. If the recession (in building) looks like continuing into 1976, it will kill Amminet."

Smaller scope? Amminet's president, Dallas Bennewitz, hopes he has an answer to the root dilemma of the information network—how to generate rapid growth in Amminet subscriptions at a time when there may not be enough money in the market to persuade subscribers to pay $400 a month for Amminet service. Says Bennewitz:

"I would like to see us offer a limited service—a terminal that doesn't do as many things, and only four hours of computer time a month for small buyers instead of the 22 hours a month offered in the pilot."

This month Amminet is asking computer firms for bids on a permanent service to replace the pilot. The system is also about to submit legislation to Congress permanently exempting mortgage paper involved in Amminet trades from SEC registration. The hope is, then, that Amminet will weather the storm.

Still, the future is open to some question. Vice President Kenneth Plant of the Federal Home Loan Mortgage Corp. puts it this way:

"Toward the end of the pilot project we will have a full dress review. We have to evaluate this. Is it meeting a need?"

—STAN WILSON
McGraw-Hill World News,
Washington

President names hard-liner to the Fed: He's Philip Coldwell, Dallas bank head

First the good news: There's a new nominee for the Federal Reserve Board.

Now the bad—as housing sees it, anyway: He's a tight-money type.

President Ford's choice is Philip E. Coldwell, 52, president of the Federal Reserve Bank of Dallas. And this is the first time in 47 years that an administration has tapped one of the 12 district bank presidents to join the powerful seven-member Board of Governors.

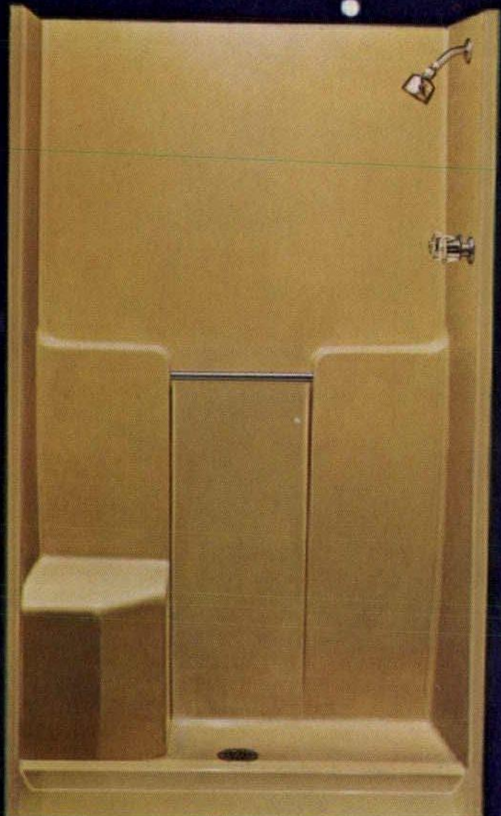
Coldwell replaces Andrew Brimmer for the unexpired portion of his 14-year term, which ends Jan. 31, 1980; Brimmer resigned Aug. 31.

Coldwell, in his speeches, has generally supported the Fed's restrictive money policy and has criticized federal deficits as a primary cause of inflation.

Recently he called on large corporations to limit their borrowings and urged consumers to cut credit-backed spending as part of their contributions toward fighting inflation.

Coldwell himself is biting the bullet as far as salary is concerned: His stipend as a Fed governor is $40,000 per year, noticeably below the $59,000 he has been making in Dallas.

FED'S COLDWELL
A man for stern measures



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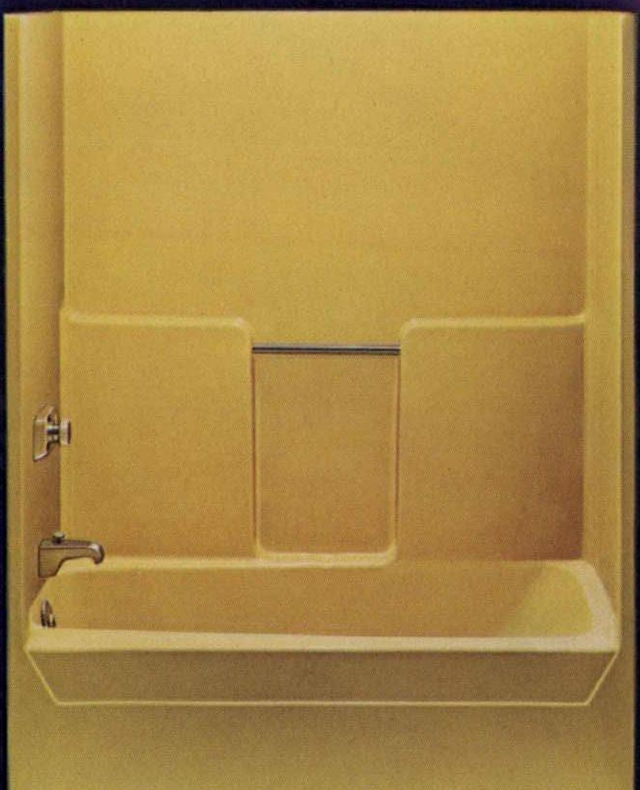

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CIRCLE 23 ON READER SERVICE CARD

MASONITE CORPORATION

600 builders take NAHB's survival course in San Francisco

It's still survival of the fittest for the homebuilders.

Developers who have weathered the battering from the economy so far found few silver linings in the clouds at the fifth annual apartment and condominium conference sponsored by the National Association of Home Builders.

Attendance at the conference, held Sept. 22-25 in San Francisco, was about 600. That figure was down nearly half from the 1973 meeting in Atlanta, and it reportedly prompted NAHB to cancel future apartment seminars.

Sessions on financing—the subject uppermost in builders' minds—were popular. Developers also flocked to seminars on alternate ways to keep alive. These meetings covered such non-residential commercial opportunities as mini-warehouses.

Against heavy odds. Builders were reminded that it will take hard work, and a bit of wizardry, to succeed against today's odds.

"The builder has never had to do his homework so well," said Norman Farquhar, a mortgage consultant from Silver Spring, Md., and moderator of a session on "Financing—An Overview."

Philip N. Harrington, executive vice president of the Federal Home Loan Mortgage Corp in Washington, warned the builders that any reliance on government programs was a bad way to go, but he conceded that "under present circumstances there is really no other place to look." He predicted that Freddy Mac might soon by buying mortgages representing 15% to 20% of the nation's new starts.

Condominiums. George W. Browne, director of the condominium and cooperative division of the Department of Housing and Urban Development in Washington, said 20% of this year's housing production will be in condominiums. He urged builders to take advantage of Tandem Plan financing.

And William R. Smolkin, president of W. R. Smolkin & Associates, a New Orleans consulting firm, explained:

"In a few areas condominiums have been done to death but in most markets the condominium idea is brand new. There are places in the United States that have never seen a condominium, never seen a townhouse, never seen a fourplex or cluster... there are some untapped opportunities, assuming availability of mortgage money."

CONSULTANT SMOLKIN
'Condominium . . . is brand new'

Market tips. Oliver Mattingly, president of MPS Research in Dallas, then listed seven pitfalls in market planning:

- With this location, we can't miss!
- Our concept worked great in Peoria and Chattanooga, it's bound to work in Denver.
- Let's buid some condominiums until the rental market strengthens.
- The first phase of our 75-unit project rented fast, let's build 300 more.
- Put in a super amenity package and we'll clean out the competition.
- The mortgage company wouldn't have given us a commitment if this weren't a sound market.
- My wife thinks the bedrooms are too small.

And to avoid these pitfalls, Mattingly offered another list:

- Evaluate the timing of your project in relation to market, supply-demand situation, and the total economy.
- Identify your customer specifically.
- Evaluate the competition, present and future.
- Determine the needs, attitudes, and preferences of buyers.
- When you have a plan, work it and stay with it.

Action program. The NAHB board adopted an emergency-action program, asking congress to allow the Government National Mortgage Association to buy conventional mortgages and demanding passage of the Brooke-Cranston bill to set up a $10-billion trust fund to spur homebuilding. The directors also urged that the Federal Reserve increase the availability of construction financing by lending through its discount window, and they sought authorization for the Federal National Mortgage Assn. to make construction loans for single-family units.

—JENNESS KEENE
McGraw-Hill World News,
San Francisco

New REIT handbook

The National Association of Real Estate Investment Trusts has just published the 1974-75 edition of its *Handbook of Member Trusts.* This edition contains audited financial statements and other detailed information for 164 member REITs. Copies cost $40, prepaid, from NAREIT, 1101 17th St. N.W., Wash. D.C. 20036.

Banks discount low-interest mortgages—sometimes even for their borrowers

You know money's scarce when you hear of bankers paying borrowers to settle their loans.

Here and there, savings banks and S&Ls are trying it. They are offering discounts for prepayments from holders of those 5¼% mortgages of yesteryear.

The motive is reasonable enough: deposits are draining out of these institutions at alarming rates, so it means something to get that 5¼% money back into the bank and then back out on loan again at 10% (and up).

How much is it worth? New York City's Lincoln Savings Bank apparently felt that a goodly discount was warranted in the case of at least one such mortgage holder. The bank confirms that it offered to reduce his loan balance (about $15,000) by $117.47 for each $100 payment in excess of current payments on the debt.

Trial offers. "It's part of a test offer made early in September," explained Lincoln's Vice President Leon De Lorme. "We sent out 900 to 1,000 letters offering discounts on 5¼% to 7% mortgages. We haven't decided whether to continue the offer, but we have been getting a reasonable response."

The discount offered varied from case to case, depending on the interest rate and the mortgage term. The $117.47-for-$100 offer, De Lorme said, was about as high as the bank would go.

The Home Savings Bank in Boston made a similar test offer on a one-shot basis. "We offered discounts of 5% to 15%," said George Fahey, a research analyst: "The response didn't mean much in terms of our overall portfolio, but it was better than we predicted."

Home had no present plans to renew the offer, he said, and would not do so in any case until next year.

Back to '66. The deals being made are hardly more than straws in the wind. Saul Klaman, vice president and chief economist of the National Association of Mutual Savings Banks, insists that only a handful of banks are using the loan recycling technique. He notes, too, that such discounts appeared during other bouts of tight money, in 1966 and 1969-70, without creating a trend.

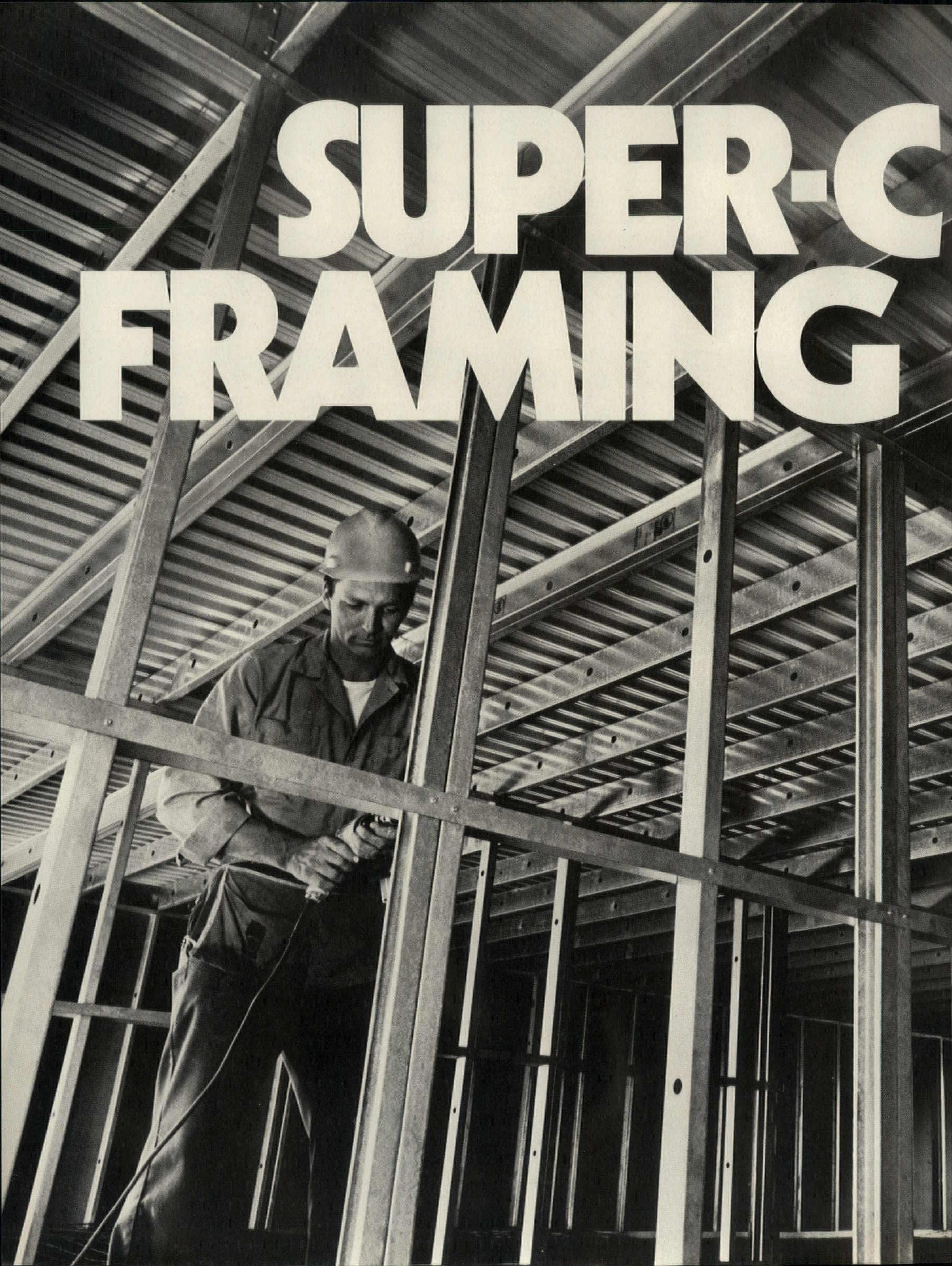
Despite persistent reports to the contrary out of California, a spokesman for the U.S. League of Savings Associations says the practice is still almost nonexistent among the nation's S&Ls. Some 4,360 of the 5,200 associations are league members.

Reasoned refusals. William Macneill, assistant vice president of Workingmen's Cooperative Bank, also of Boston, said the gains realized from the recycling technique were often illusory.

"We've found most people who offer us such a deal plan to pay off the loan very soon anyway," he explained.

Bankers are not the only ones being hardheaded on the matter.

"We approached a random sampling of about 80 loans with discount offers," recalls Lester Ballerine, vice president of Chicago's First Federal S&L. "Most of them gave us a flat no." They decided, it seems, that they had already invested their money at better returns than the S&L could offer.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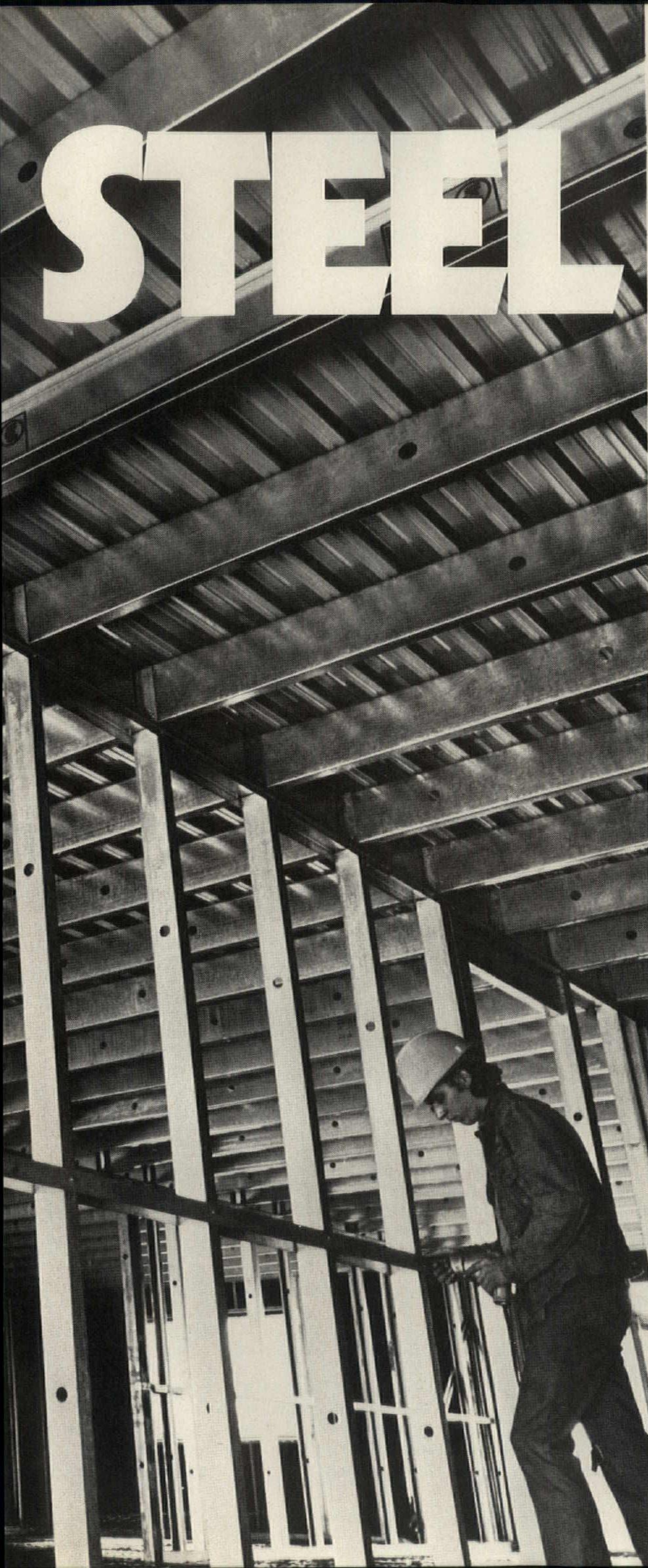

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GULF OIL'S CRAIG
An acquisition from Levitt

Housing men on the move: arrivals, departures, new titles

Kaufman and Broad's **Bruce L. Warwick** moves up from a vice presidency, the post in which he managed construction of the company's first highrise condominium, a $19-million tower in Cliffside Park, N.J. He's now the New York regional president of Kaufman and Broad Condominium Communities.

Gulf Oil Real Estate Development Co. may not want all of Levitt and Sons (see p. 16) but it apparently liked what it saw in Levitt's **Robert T. Craig,** for seven years a vice president and Chicago regional manager. Gulf hired him away as its new senior vice president. Craig will run Gulf's projects throughout the Southeast.

James A. Anthony Jr. becomes staff vice president of sales for four developments of the Sea Pines Co., Hilton Head, S.C. He had been vice president of marketing for one of the communities. Sea Pines also names **Jonathan C.K. Peake** as director of marketing services for a recreational community being developed near Charlottesville, Va., by the Cabot, Cabot & Forbes land trust of Boston. Sea Pines is providing the marketing and sales services.

Bill Blackfield, 60, makes an amicable departure from Blackfield Hawaii Corp., retaining portfolio as a director. Blackfield was NAHB's president in 1964. Blackfield Hawaii has been a subsidiary of Pacific Lighting Corp. since 1969.

Bernard Vespucci leaves Royal Palm Beach Colony Inc. of Miami, Fla., which he joined in 1973 as vice president for marketing. **Herbert L. Kaplan,** president of Royal Palm, says that, with the virtual termination of retail land sales, Vespucci "believes that his energies can be best applied to a different type of organization."

Wichita Land Co. appoints **Howard R. West** as vice president and general manager of a 3,500-acre development in Kansas. West was director of marketing for Trimont Land Co. of San Francisco.

Continental Homes, Nashua, N.H., names a new vice president of operations, **Rodney Wright,** and a new assistant vice president, **Bob Collins.** Wright has been with the company since 1964, when the outfit was known as Gilbilt. Continental builds modulars.

Skyline Corp. of Elkhart, Ind., the mobile home giant, advances **Ronald F. Kloska,** 40, to the presidency. Kloska, formerly executive vice president, replaces **V. Dale Swikert,** 42, who leaves the top job two years after taking over. Chairman **Arthur J. Decio** assumes the new title of chief executive and Vice President **William H. Lawson** becomes executive vice president.

Richardson Homes, another Elkhart mobile-home producer and a subsidiary of Great Southwest Corp., also reshuffles its executive team. **Bruce Juell,** president of Great Southwest and chairman of Richardson, takes the added titles of president and chief executive of Richardson, replacing **Stanley F. Stitgen. Keith Snelson,** manufacturing vice president, becomes executive vice president. Jarred by the slump in mobile-home sales, Richardson has closed eight of its 11 plants and is trying to sell them.

The Innisfree Corp. of Burlingame, Calif. names **Robert G. Lindsey,** 33, as vice president of sales. He had been sales vice president for Big Sky of Montana, a resort launched by the late **Chet Huntley.**

The National Association of Women in Construction selects **June N. Barton** of Chicago Heights, Ill. as its president, replacing Eva S. Poling of Alexandria, Va. Miss Barton is a member of the construction section of the National Safety Council.

Mortgage officer in FHA fraud draws $175,000 fine, five-year term

The sentence was decreed for Harry Bernstein, former president of Eastern Services Corp. of Hempstead, N.Y.

And that wasn't all.

Bernstein's wife Rose drew a $50,000 fine and a four-year prison sentence. Florence Behar, an Eastern supervisor, was sentenced to two years and fined $21,000, and Mel Cardona, a Bronx realty dealer, was fined $21,000.

The corporation, once upon a time one of the largest mortgage companies operating on Long Island, was fined $460,000.

Protest. Bernstein's lawyer called his client's sentence "outrageous." Judge Anthony Travia, after pronouncing the sentences in Federal District Court in Brooklyn, N.Y., continued all four defendants in bail pending appeal.

The four and the corporation had been convicted of bribery last June 25 in an FHA lending fraud that was estimated to have cost the government $200 million [NEWS, August].

Four witnesses who pleaded guilty and cooperated with the prosecution drew lesser sentences. They were:

Ortrud Kapraki, a realty broker, five years in prison, with execution suspended, and five years' probation.

Stanley Sirote, president of the now defunct Inter-Island Mortgage Corp., Flushing, N.Y., $40,000 fine, suspended sentence and three years' probation.

Edward Goodwin, former FHA appraiser, $5,000 fine, suspended sentence and three years' probation.

Rose Cohen, FHA clerk, $5,000 fine, suspended sentence, two years' probation.

Other indictments. Two HUD officials in other parts of the country have been indicted, meanwhile, on charges of taking bribes from contractors.

A federal jury in South Bend charged Herman Walker, an equal opportunity officer for the Department of Housing, with 19 counts of bribery. Another jury in Indianapolis added three counts of income-tax evasion.

Abel Walker, no relation, of Lafayette, La., was accused of accepting $400 and an $840 vacation in Puerto Rico from a construction company repairing HUD-insured homes. Walker is an FHA construction representative.

Attorney General William Saxby said the indictments resulted from an investigation by the HUD inspector general.

Zimmer Homes losing $250,000 in fraud

President Paul H. Zimmer has disclosed that Zimmer Homes Corp. stands to lose as much as $250,000 as a result of the discovery of a dealer's fraud.

Zimmer also said the loss on receivables comes on top of a 20% decline in sales for the 12 weeks ended Oct. 4 and adds to indications of a loss on operations for the third quarter.

Zimmer, a mobile-home producer, has its headquarters in Pompano Beach, Fla. Its shares trade on the American Exchange. The stock closed at 2½, down ⅛ the day of Zimmer's announcement.

A new water closet that actually saves water.

The Briggs CONSERVER™

The new Briggs Conserver two-piece water closet has gone the water saving remedies one better. It works.

It works in saving water... actually reducing the volume by 30% over most ordinary two-piece closets. And it works in *not* sacrificing flushing efficiency.

The Conserver is ideal wherever water must be saved... where high density housing dictates a waste reduction... where less water, less cost is the object. Institutions. Motels and hotels. Apartments. Single family homes.

You'll probably be hearing a lot about water saving closets as others try to find a workable answer. But, check into the Briggs Conserver first.

Narrower tank uses 30% less water with *no* loss of efficiency.

What a beautiful idea!

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1

2


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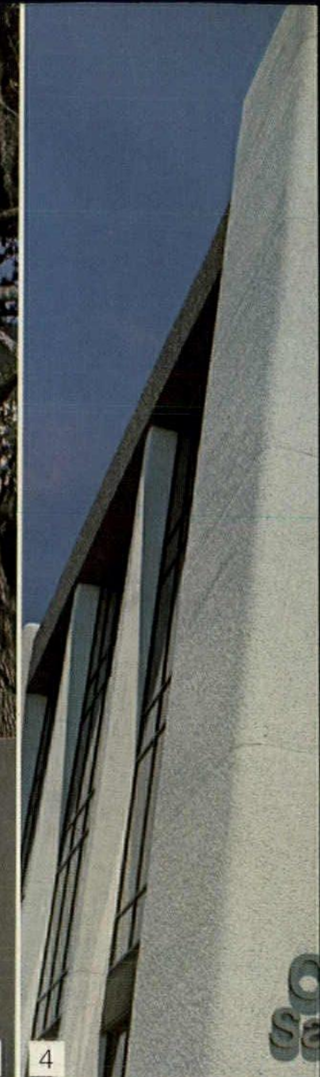
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5

PPG Solarcool® Bronze reflective glass is not as expensive as it looks.

Compared to tinted glass it can add as little as 10% to the cost of the total wall system.

Yet it brings virtually any type of light-commercial building to life with the unique and prestigious esthetics that only reflective glass can offer.

There's no limit to the effects you can achieve. Wood, concrete, masonry, and metal can all be dramatically complemented by reflective glass.

But besides good looks, Solarcool Bronze reflective glass gives you good performance, too.

Since it is reflective, it shields the sun's glare and reduces heat gain more efficiently than tinted glass. So your air conditioning system is more economical.

In cold climates it can save on your heating costs, too. Because it becomes an excellent insulator when used in double-pane construction.

So treat yourself and your next building to the remarkable beauty and excellent performance of Solarcool Bronze reflective glass.

For all that you get it's not all that expensive.

To find out more about it, see your local glass distributor, or write for our free booklets to: Dept. H34, Solarcool Bronze, PPG Industries, Inc., One Gateway Center, Pittsburgh, Pa. 15222.

PPG: a Concern for the Future

1. Professional Office Building, Panama City, Florida
   Architect: James Graham Chapman
   Contractor: Jean Mordellet
2. Roanoke Office Building, Phoenix, Arizona
   Architect: E. Logan Campbell
   Contractor: Shuart Corporation
3. Tucker Office Building, Atlanta, Georgia
   Architect: Arkhora & Associates
   Contractor: Hails Construction
4. Otero Savings & Loan, Colorado Springs, Colorado
   Architect: John L. Giusti Associates
   Contractor: Lembke Construction
5. Rusty Scupper Restaurant, Oakland, California
   Architect: Sandy & Babcock
   Contractor: Williams & Burrows, Inc.

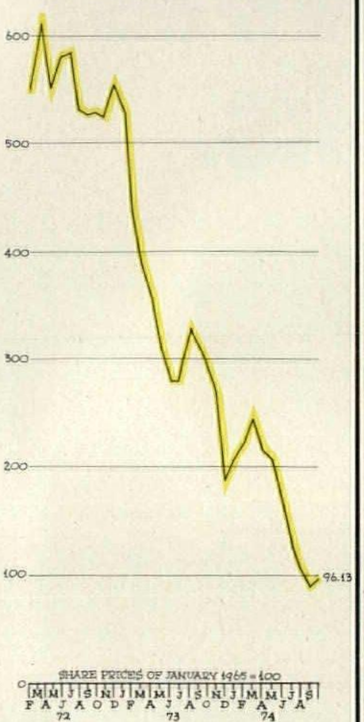
PPG INDUSTRIES

Housing stocks stage a rally of sorts—S&Ls lead the advance

Great Western Financial leaped to 11, from 7¾, after a complimentary article in *Barron's*. And First Charter was up smartly. The S&Ls, in fact, led a turnaround in housing-stock prices in the month ended October 1.

HOUSE & HOME's index of 25 issues had fallen for six months running—to its lowest point in 7½ years [NEWS, Sept.]. The tide reversed, and the index climbed to 96.13, from 87.67.

Here's the graph of the index:



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

	Oct.'73	Sept.'74	Oct.'74
Builders	317	73	63
Land develop.	147	71	68
Mortgage cos.	840	155	165
Mobile homes	482	259	272
S&Ls	146	51	68

Company		Oct. 1 Bid/ Close	Chng. Prev. Month
BUILDING			
Alodex—d	OT	⅛	− ¼
AVCO Comm. Devel.—d	PC	½	− ¼
American Cont. Homes	OT	1⅝	− ⅜
American Urban Corp.	OT	½	− ⅛
Bramalea Con. (Can.)—d	TR	2.90	− .30
Campanelli Ind.	OT	1	− ¼
(New America Ind.)			
Capital Divers (Can.)—d	OT	.30	+ .03
•Centex Corp.	NY	4½	− 1
Cenvill Communities	AM	3⅛	− 2¼
Cheezem Dev. Corp.	OT	⅝	− ¾
Christiana Cos.	AM	1	....
Cons. Bldg. (Can.)—d	TR	1.95	− .25
Dev. Corp. Amer.	AM	3⅜	− ¾
Dev. Int. Corp.—d	OT	.01	− .052
Edwards Indus.	OT	2⅛	⅛
FPA Corp.	AM	3¼	− ⅛
Carl Freeman Assoc.	OT	1⅞	− ⅛
Frouge Corp—d	AM	5	− ¼
General Builders	AM	¾	− 1/16
Hoffman Rosner Corp.	OT	1½	− ¼
Homewood Corp.	OT	4½	....
Hunt Building Corp.	OT	1	− ⅞
•Kaufman & Broad	NY	2⅜	− ¼
Key Co.	AM	1⅜	− ½
Leisure Technology	AM	1⅝	− ⅜
Lennar Corp.	AM	3⅝	− ⅝
McCarthy Co.—d	PC	1¼	− ⅛
McKeon Const.	AM	1¼	− ¼
H. Miller & Sons	AM	6¾	− 1
Mitchell Energy & Dev.	AM	11½	− 1¾
National Environment	OT	½	− ⅛
(Sproul Homes)			
Oriole Homes Corp.	AM	5½	− ¼
Prel Corp.	AM	1	− ⅜
Presidential Realty	AM	6⅛	¼
Presley Development	AM	2	− ⅛
Pulte Home Corp.—d	AM	1¼	....
F. D. Rich Hous. Corp.—d	OT	1⅜	....
Robino-Ladd Co.	AM	1½	− ¼
Rossmoor Corp.	AM	5¾	½
•Ryan Homes	AM	7	− 1⅛
Ryland Group	OT	3⅜	− 1⅞
•Shapell Industries	NY	6⅝	....
Shelter Corp. of America	OT	⅛	....
Standard Pacific	AM	2⅜	¼
Universal House & Dev.—d	PC	.875	− .062
•U.S. Home Corp.	NY	2⅝	− ½
Valley Forge Corp.	OT	⅛	− ⅛
Washington Homes	OT	⅝	⅛
Del. E. Webb	NY	3	....
Westchester Corp.	OT	⅜	− ¼
SAVINGS & LOAN ASSNS.			
American Fin. Corp.	OT	8⅛	− 1¼
Calif. Fin.	NY	2	⅛
Empire Fin.	AM	8¾	⅝
•Far West Fin.	NY	5	1⅛
Fin. Corp. Santa Barb.	AM	5⅝	− ⅜
•Fin. Fed.	NY	7⅜	1⅛
•First Charter Fin.	NY	7⅝	2⅛
First Lincoln Fin.	OT	2	½
First S&L Shares	AM	6½	½
First Surety	OT	2½	− ¼
First West Fin.	OT	1⅜	⅛
Gibraltar Fin.	NY	8⅞	2⅝
Golden West Fin.	NY	7¾	2⅛
•Great West Fin.	NY	11	3¼
Hawthorne Fin.	OT	4¾	- ¾
•Imperial Corp.	NY	6⅛	1⅛
Transohio Fin.	NY	4¼	− ⅜
(Union Fin.)			
Trans World Fin.	NY	4¼	½
United Fin. Cal.	NY	4⅞	½
Wesco Fin.	NY	7⅝	− 4
MORTGAGING			
Charter Co.	NY	15¼	− 3¼
CMI Investment Corp.	NY	9⅛	1½
•Colwell	AM	2¼	....
Cont. Illinois Realty	NY	3½	− 1⅛
Fed. Nat. Mtg. Assn.	NY	12¼	− ⅜
Fin. Resources Gp.—d	OT	⅞	− ⅛
(Globe Mortgage)			
FMIC Corp. (formerly First Mtg. Ins. Co.)	OT	4	....
•Lomas & Net. Fin.	NY	4⅛	− ¼
•MGIC Inv. Corp.	NY	11⅛	1⅝
Palomar Fin.	AM	⅞	....
Western Pac. Fin. Corp.	OT	1⅛	....
(Formerly So. Cal. Mort. & Loan Corp.)			
UPI Corp.	AM	1⅝	....
(United Imp. & Inv.)			
REAL ESTATE INV. TRUSTS			
Alison Mtg.	NY	6⅜	+ ¼
American Century	AM	3⅛	....
Arlen Property Invest.	OT	3	− ¾
Atico Mtg.	NY	5½	....
Baird & Warner	OT	5¼	− ⅛
Bank America Rlty.	OT	10⅛	1⅝
Barnes Mtg. Inv.	OT	3¼	....
Barnett Mtg. Tr.	NY	4	− ⅞
Beneficial Standard Mtg.	AM	5¾	− 1⅞
BT Mort. Investors	NY	4⅛	¼
Builders Investment Gp.	NY	5	− ¼
Cameron Brown	NY	3⅛	¼
Capitol Mortgage SBI	NY	3¾	− ⅛
Chase Manhattan	NY	5⅞	− 3
CI Mortgage Group	NY	2⅝	⅝
Citizens Mtg.	AM	3⅛	− ¾
Citizens & So Rlty.	NY	5¾	− 1
Cleve. Trust Rlty. Inv.	OT	3¾	....
Colwell Mtg. Trust	AM	3¼	− ⅛
Conn. General	NY	12	- ¾
•Cont. Mtg. Investors	NY	⅜	− ⅝
Cousins Mtg. & Eq. Inv.	NY	3½	− ⅜
Diversified Mtg. Inv.	NY	2⅝	− ¼
Equitable Life	NY	12⅞	+ 2¼
Fidelco Growth Inv.	AM	7½	⅛
Fidelity Mtg.	NY	1⅝	− ¼
First Memphis Realty	OT	5¼	− ¾
•First Mtg. Investors	NY	1¾	− ¼
First of Denver	AM	5¼	− ⅜
First Pennsylvania	NY	4¾	+ ¼
Franklin Realty	AM	2	− ⅝
Fraser Mtg.	OT	8	− ¼
Gould Investors—d	AM	5¾	− ½
Great Amer. Mtg. Inv.	NY	2⅜	− 1¼
Guardian Mtg.	AM	4	− ½
Gulf Mtg. & Realty	AM	3¾	− ⅜
Hamilton Inv.	OT	3⅛	1
Heitman Mtg. Investors.	AM	3⅝	− 1⅞
Hubbard R. E. Inv.	NY	12½	− ½
ICM Realty	AM	9¼	− ¾
Larwin Mtg.	AM	2⅝	− ½
Lincoln Mtg.	OT	½	− ⅛
Mass Mutual Mtg. & Rlty.	NY	10	1½
Mony Mtg. Inv.	NY	5⅜	+ ⅞
Mortgage Trust of Amer.	NY	3	− 1
National Mortgage Fund	NY	2½	− ⅞
Nationwide R.E. Inv.	OT	5	¾
(Galbreath Mtg. Inv.)			
North Amer. Mtg. Inv.	NY	8	+ 1
Northwest Mut. Life Mtg. & Rlty.	NY	12	....
PNB Mtg. Rlty. Inv.	NY	3¾	− 1⅛
Palomar Mtg. Inv.	AM	1¼	− ¼
Penn. R. E. Inv. Tr.	AM	7⅞	+ ¼
Property Capital—d	AM	5⅞	- ½
Realty Income Tr.	AM	6	− 1½
Republic Mtg. Inv.	NY	2⅝	− ¾
B. F. Saul, R.E.I.T.	NY	5⅛	− ½
Security Mtg. Investors	AM	1¼	....
Stadium Realty Tr.	OT	2	....
State Mutual SBI	NY	5	− ⅞
Sutro Mtg.	NY	4	....
Unionamerica Mtg. & Eq.	AM	2	− ⅝
U.S. Realty Inv.	NY	4⅞	½
Wachovia Realty Inc.	NY	4⅝	− 1⅛
Wells Fargo Mortgage	NY	5½	¼
LAND DEVELOPERS			
All-State Properties	OT	3/16	− 1/16
•AMREP Corp.	NY	2¼	− ¾
Arvida Corp.	OT	4⅛	− ⅞
Atlantic Imp.—d	OT	3½	....
Canaveral Int.	AM	⅝	− ¼
Cavanagh Communities	NY	¾	....
Crawford Corp.	OT	4½	....
•Deltona Corp.	NY	4¾	+ 1⅛
Dominion Holding—x	OT	1.50	.37
(Disc. Inc. of America)			
Fairfield Communities	OT	1	− ¾
•Gen. Development	NY	3⅜	− ½
Getty Financial Corp.	OT	1	− ¼
(Don the Beachcomber)			
•Horizon Corp.	NY	2¾	+ ¼
Landmark Land Co.—d	AM	1½	− ⅜
(Gulf State Land)			
Land Resources	OT	¾	....
Major Realty	OT	1⅞	− ⅛
•McCulloch Oil	AM	2¾	− ¼
Sea Pines Co.	OT	3¼	− ¾
South Rlty., Util	AM	4⅝	¼
MOBILE HOMES & MODULES			
•Champion Home Bldrs.	AM	2	− ½
•Commodore Corp.—d	AM	1¼	....
Conchemo—d	AM	7½	− ½
De Rose Industries—d	AM	⅞	− ¼
•Fleetwood	NY	6⅛	1½
Golden West—d	AM	1⅞	⅛
Moamco Corp.—d	AM	⅝	....
(formerly Mobil Americana)			
Mobile Home Ind.	NY	2½	+ ⅜
Monarch Inc.	OT	⅞	....
•Redman Inc.—d	NY	2¼	− ½
Rex Noreco—d	NY	⅞	− ⅛
•Skyline	NY	12⅞	- 1¾
Town and Country	AM	1¾	+ ¼
Zimmer Homes—d	AM	2¾	+ ¼
Brigadier Ind.	OT	⅞	− ⅛
Environmental Commun.	OT	⅝	⅛
Hodgson Hose	OT	¾	− ¼
Liberty Homes	OT	1⅛	− ⅛
Lindal Cedar Homes	OT	1	....
Nationwide Homes	AM	4⅝	− ⅜
Shelter Resources	AM	1⅜	− ⅛
Swift Industries	OT	¼	....
DIVERSIFIED COMPANIES			
American Cyanamid	NY	18	− 1⅜
Amer. Standard	NY	8½	− 1¼
Amterre Development	OT	1¼	+ ¼
Arlen Realty & Develop.	NY	1⅝	....
AVCO Corp.	NY	2⅞	− 1
Bendix Corp.	NY	21½	− 1⅞
Bethlehem Steel	NY	25½	− ⅞
Boise Cascade	NY	10¼	− 2
Building & Land Tech.	OT	1¾	+ ½
CNA Financial (Larwin)	NY	4⅜	− ⅝
Castle & Cooke	NY	10⅜	− 1⅛
(Oceanic Prop.)			
CBS (Klingbeil)	NY	27	− 5⅜
Champion Int. Corp.	NY	11¼	− 1
(U.S. Plywood-Champion)			
Christiana Securities	OT	96	− 5
Citizens Financial—d	AM	1⅜	− ¼
City Investing	NY	5⅞	− ¾
(Sterling Forest)			
Corning Glass	NY	37¾	− 13⅛
Cousins Properties	OT	3¾	− ¼
Dreyfus Corp.	NY	4	− ⅞
(Bert Smokler)			
Environmental Systems	OT	1/16	− 3/16
ERC CORP.	OT	12	− 3¼
(Midwestern Fin.)			
Evans Products	NY	2¾	− ¾
Ferro Corp.	NY	14⅛	− 5⅞
First Gen. Resources	OT	1/16	....
First Rlty. Inv. Corp.	AM	1	− ⅛
Fishback & Moore	NY	14¼	− 3½
Forest City Ent.—d	AM	3⅝	· ¼
Flagg Industries—d	AM	1¾	+ ⅛
Frank Paxton Corp.	OT	8¾	+ ¼
(Builders Assistance Corp.)			
Fruehauf Corp.	NY	17⅛	− 1½
Fuqua Corp.	NY	5	− 1
Georgia Pacific	NY	22½	− 6
Glassrock Products	AM	2	....
Great Southwest Corp.—d	OT	⅜	....
Gulf Oil (Gulf Reston)	NY	16½	− ½
INA Corp. (M. J. Brock)	NY	22½	+ 1½
Inland Steel (Scholz)	NY	29½	− 1
International Basic Econ.	OT	1⅝	− ⅝
International Paper	NY	35⅞	− 2¾
Inter. Tel. & Tel.	NY	15¾	− 1⅞
Investors Funding—d	AM	1	....
Killearn Properties—d	AM	1¾	....
Leroy Corp.	OT	1¼	− ¾
Ludlow Corp.	NY	8⅝	− ⅜
Monogram Industries	NY	4¼	− 1
Monumental Corp.	OT	7½	− 1½
(Jos. Meyerhoff Org.)			
Mountain States Fin. Corp.	OT	3¾	− 1
National Homes	NY	2¼	+ ¼
National Kinney	AM	2⅝	− ⅛
(Uris Bldg.)			
NEI Corp.—d	OT	2¼	− ¼
Occidental Petroleum	NY	8¼	+ ⅛
(Occ. Pet. Land & Dev.)			
Pacific Coast Prop.—d	AM	5/16	− ⅛
Perini Corp.	AM	4¼	− ¼
Philip Morris	NY	35½	− 7¼
Pope & Talbot	NY	8¾	− 2⅛
Republic Housing Corp.—d	AM	1⅝	....
Rouse Co.	OT	2¼	− ¾
Santa Anita Consol.	OT	7¾	− ½
(Robt. H. Grant Corp.)			
Shareholders Capital	OT	.16	.04
(Shareholders R.E. Group)			
Tenneco Inc.	NY	16¾	− 1⅞
(Tenneco Realty)			
Time Inc.	NY	30¾	− 3¼
(Temple Industries)			
Tishman Realty	OT	12¼	+ ¼
Titan Group Inc.	OT	⅜	− ⅛
UGI Corp.	NY	10¼	+ ⅛
Weil-McLain	NY	6	− ¾
Westinghouse	NY	10	....
(Coral Ridge Prop.)			
Weyerhaeuser	NY	25	− 5⅞
(Weyer. Real Est. Co.)			
Whittaker (Vector Corp.)	NY	1¾	− ⅜
Wickes Corp.	NY	9⅜	− 1⅛
SUPPLIERS			
Armstrong Cork	NY	16	− 2¾
Automated Bldg. Comp.	AM	2¾	− ⅛
Bird & Son	OT	22¾	+ ¼
Black & Decker	NY	21½	− 5½
Carrier Corp.	NY	7	+ ⅜
Certain-teed	NY	8¼	+ 1⅛
Crane	NY	29⅛	⅞
Dexter	NY	10⅛	− 4
Dover Corp.	NY	26	− 1½
Emerson Electric	NY	23¼	− 2½
Emhart Corp.	NY	15¼	− ¾
Fedders	NY	4⅜	− ⅜
Flintkote	NY	11¼	− 1⅛
GAF Corp.	NY	6¾	− ⅜
General Electric	NY	33	− 4¼
Goodrich	NY	18¼	− ½
Hercules	NY	29⅛	− ⅞
Hobart Manufacturing	NY	13¼	− 1
Int. Harvester	NY	19¾	− ⅜
Johns-Manville	NY	15	− ⅞
Kaiser Aluminum	NY	14½	− 1⅝
Keene Corp.	NY	2⅞	+ ⅛
Leigh Products—d	AM	5⅜	+ ¼
Masco Corp.	NY	19¾	− 8¼
Masonite Corp.	NY	24	+ 2
Maytag	NY	19⅜	− ⅞
National Gypsum	NY	9¾	− ⅝
Norris Industries	NY	14¾	+ ¼
Overhead Door—d	NY	6¾	....
Owens Corning Fibrgl.	NY	28¼	− 8
Potlatch Corp.	NY	21¼	− 5¾
PPG Industries	NY	20⅜	− 1⅞
Reynolds Metals	NY	15½	− 2¼
Rohm & Haas	NY	55¾	− 13¼
Ronson	NY	5⅜	+ ¼
Roper Corp.	NY	10	− 2¼
St. Regis Paper	NY	21	− 2¾
Scovill Mfg.	NY	10⅜	− ⅜
Sherwin Williams	NY	26	− 3½
Skil Corp.—d	NY	9¼	+ ⅛
Slater Electric	OT	4	+ ¼
Stanley Works	NY	15	− ⅛
Tappan	NY	5	....
Thomas Industries	NY	5¼	− ⅜
Triangle Pacific	NY	7	− 1⅜
U.S. Gypsum	NY	15⅝	⅛
U.S. Steel	NY	36⅞	− 4⅜
Wallace Murray	NY	7⅜	− ½
Jim Walter	NY	13⅞	− 1⅜
Whirlpool Corp.	NY	11¼	− 3⅝

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

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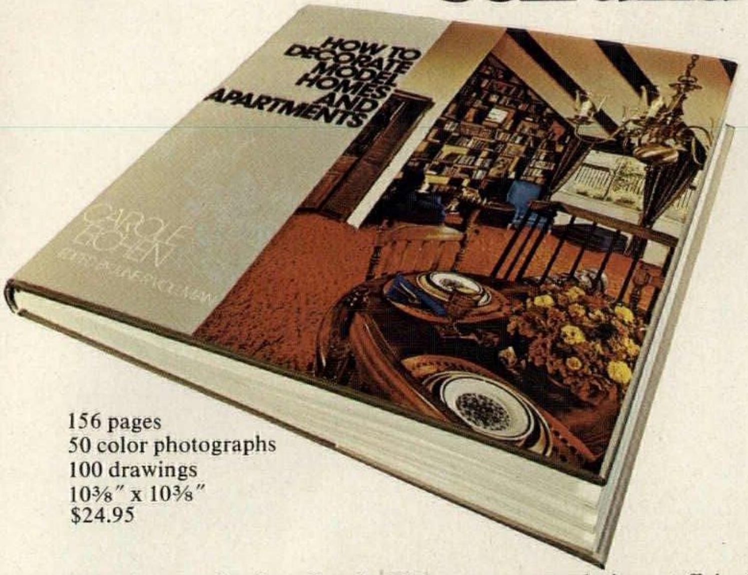
CIRCLE 33 ON READER SERVICE CARD

House & Home presents Carole Eichen's new book of interior design ideas to make your model homes and apartments sell and rent faster



156 pages
50 color photographs
100 drawings
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$24.95

Carole Eichen, prominent interior designer for the housing industry and Contributing Editor to House & Home.

Builders and developers turn to Carole Eichen—President and Chief Designer of Carole Eichen Interiors—for decorating ideas to match their market for condominiums, rental apartments and single-family homes.

Carole is one of those rare people who know people. With an uncanny sense of merchandising, she designs model homes and apartments in the mirror-image of what homebuyers are really looking for.

Next best to having Carole Eichen on your design staff is Carole Eichen's new book of design ideas on how to decorate for your particular segment of the market. Step-by-step, Carole walks you through the complex process of design decisions leading to that single telling moment when the prospect says, "Yes, I like it. I'll buy it."

Drawing from long years of experience, Carole tells not only *why*, but also *how* to put more sell into model homes and apartments.

Her best-selling designs are presented in clear-cut text illustrated with *fifty* large, full-color photographs, each accompanied by before-and-after schematic diagrams moving your mind from the design *problem* to the design *solution* to the ready-to-sell *results*.

HOW TO DECORATE MODEL HOMES AND APARTMENTS explains the key factors to be considered in creating best-selling interior designs for

- Kitchens
- Bathrooms
- Living Rooms
- Dining Rooms
- Master Bedrooms
- Children's Bedrooms
- Family Rooms
- Built-ins
- Dens
- Sewing Rooms
- Sales Offices
- Patios & Balconies

Presenting an array of interior design ideas adaptable to your own condominiums, rental apartments and single-family homes, this masterful guide also gives you special insight on the major elements of residential design: *color, lighting, built-ins* and *accessories*.

HOW TO DECORATE MODEL HOMES AND APARTMENTS also details the design decision-making process involving fundamental judgments on

- How to match interior decor to your markets,
- How to make interior design costs pay for themselves,
- How to keep abreast of current decorating trends,
- How to bring your models in on schedule,
- How to plan for effective model maintenance,
- How to coordinate salesmen with the marketing team, and
- How to put it all together for total impact.

Equally important to the workings of successful interior design are Carole Eichen's suggestions on what builders should expect of designers . . . what designers should expect of builders . . . how to draw up a good contract with the interior designer . . . how to control schedules, deadlines and the countdown for installations.

Inexpensive ways to avoid costly mistakes, budgeting do's and don'ts, and matching design to your market parameters are other practical aspects which make this new book an effective working tool for selling condominiums, rental apartments and single-family homes successfully in *any* locale at *every* price level.

Builders and developers who have profited from Carole Eichen's services would readily agree that your model homes and apartments will never look quite the same after you get your hands on this practical book of successful interior design ideas. Order the book today and add Carole Eichen's expertise to your own experience in selling homes.

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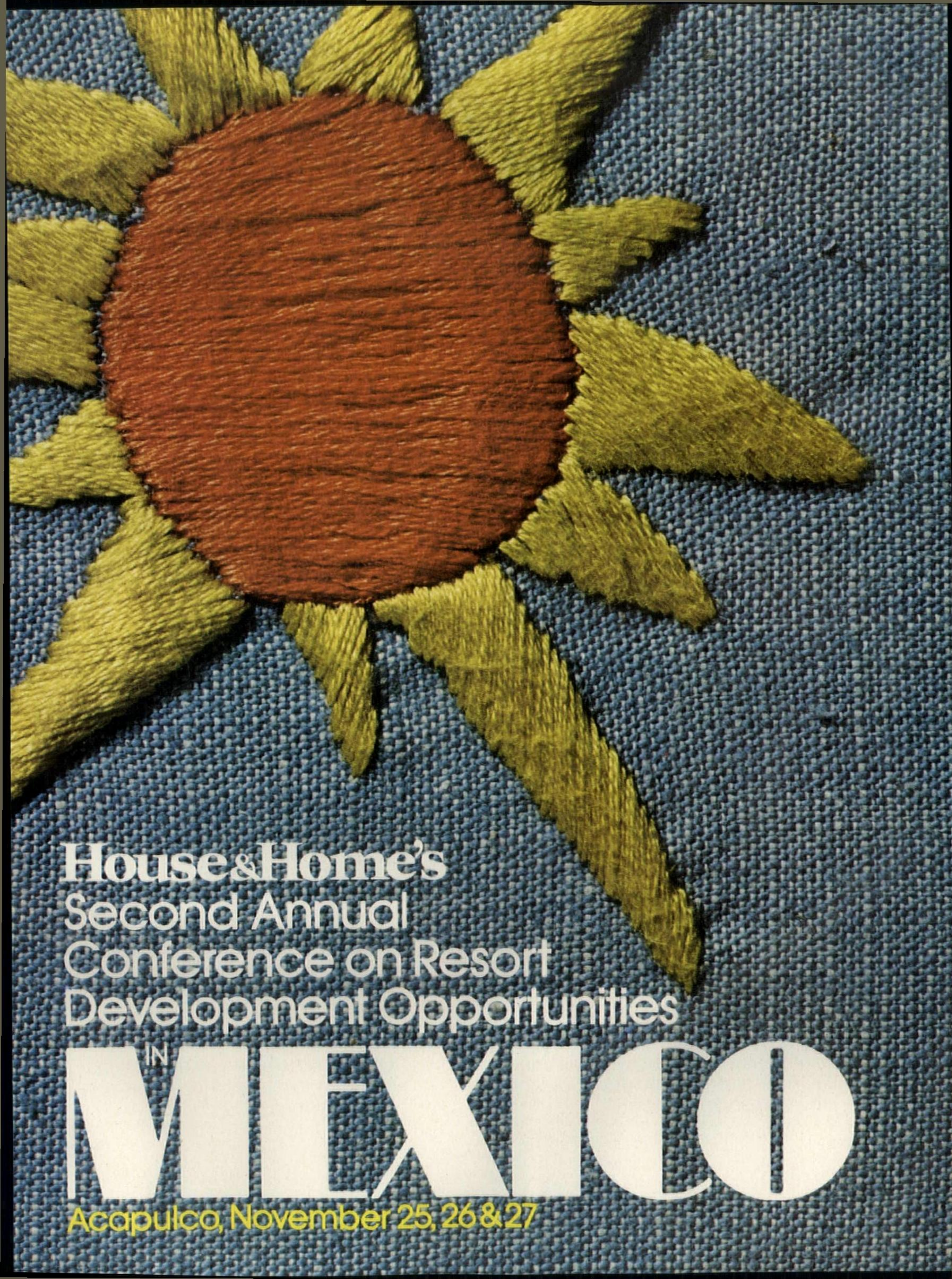

House & Home's
Second Annual
Conference on Resort
Development Opportunities
IN
MEXICO
Acapulco, November 25, 26 & 27

House&Home's Second Annual Conference on Resort Development Opportunities in MEXICO

**Acapulco,
November 25, 26 & 27
The Princess Hotel**

Last year, if you had attended House & Home's Mexico Conference, you'd have discovered a boom market on the brink, with all the opportunities—and problems—that a boom creates.

This year, you'll find that the boom is maturing and growing. More and more foreign tourists—especially Americans—have discovered Mexico's superb climate and lovely gulf and oceanfront land. And as a result . . .

. . . the Mexican government is increasing the number and scope of programs aimed at encouraging foreign investment in resort areas

. . . the Mexican financial community is actively working to facilitate foreign participation in resort development

. . . the Mexican building industry is seeking joint-venture partners who will bring both financial strength and development know-how to resort projects

. . . and more and more Mexican resort areas are being opened or expanded to take advantage of the increasing influx of tourists

But working in Mexico, either as a developer or an investor, you have to know the rules of the game. And they're very different from the rules you're used to.

That's why at House & Home's conference you'll find out about . . .

. . . the regulations governing foreign investment in the costal areas which constitute much of Mexico's finest resort land

. . . how to avoid the problems that can arise from the so-called "ejidal lands"

. . . what the 30-year trust is, how it works, and what are its implications for the future—both immediate and distant

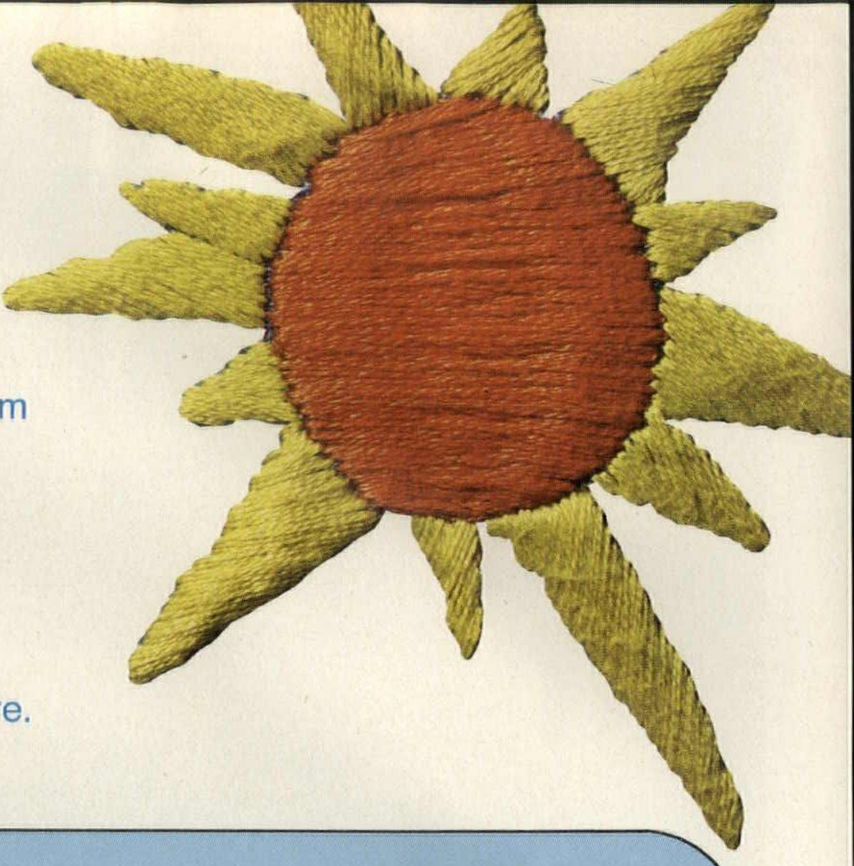
. . . how to take advantage of the Mexican government's investment and preliminary development in some of the country's prime resort areas

. . . what the opening of the new highway that runs the length of Baja, California, is doing to tourism in Mexico

. . . how the U.S. investment community currently sees the opportunities—and the problems—of resort investment in Mexico

. . . how to identify the Mexican market areas that leading developers—both Mexican and U.S.—have found to be the strongest for resort sales

. . . how to negotiate the legal maze of SEC, HUD and state blue-sky regulations necessary to market Mexican resort projects in the U.S.



Most important, the conference is a forum where for three days you'll have the chance to sit down and talk in informal sessions with Mexican bankers, government officials, landowners, architects, planners and builders who make up the resort development community, and who could end up as your partners in a Mexican resort venture.

You'll hear from these and other experts

Jorge Couttelenc
President
Nacional
Hotelera Group

Carlos Quintero
Assistant Director
Banco Nacional
de Mexico

Max Huntoon
Managing Editor
House & Home
Conference Director

Robert W. Karpe
Real Estate
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State of California

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Corporation Finance
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Exchange Commission

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Special Trustee
Fonatur

Hector Hinojosa
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Playasol, S.A.

Mario Casco
Chief Executive Officer
Commission for
Development of
Baja, California

House&Home's SECOND ANNUAL CONFERENCE ON RESORT DEVELOPMENT OPPORTUNITIES IN

MEXICO

Conference Headquarters: Acapulco Princess Hotel y Club de Golf, Acapulco, Mexico

Conference Registration

To register, please complete and return the coupon below to Mexico Conference, House & Home, McGraw-Hill, Inc., 1221 Avenue of the Americas, N.Y., N.Y. 10020. Or you may register by calling (212) 997-6692. Registration must be made in advance of the conference. All registrations will be confirmed by mail. Residents of Mexico may register by contacting RKL y Asociados, Rio de la Plata 48, Mexico 5, D.F.

Fee

The full registration fee is payable in advance and includes the cost of all luncheons, workbooks, and meeting materials .... $395.

Cancellation

Registrations may be cancelled without charge up to 10 days before the conference date. Registrations cancelled later than this are subject to a $50 service charge. Substitution of attendees may be made at any time.

Hotel Reservations

While all attendees should plan on arriving in Acapulco Sunday November 24th at the latest and departing Wednesday November 27th in the afternoon at the earliest, the Acapulco Princess is holding a limited block of rooms for those who wish to arrive as early as the 22nd or stay as late as the 28th. If desired, House & Home will make arrangements for room reservations at the Acapulco Princess for those attendees whose conference registration is received by October 31st. Check box in coupon below. A $50 deposit, payable to the Acapulco Princess, must accompany each room reservation made through House & Home. If space at the Acapulco Princess is unavailable, House & Home will recommend other comparable hotels in Acapulco. Hotel space in Acapulco is tight, so to be sure of the accommodations you want we recommend that you make your reservation now.

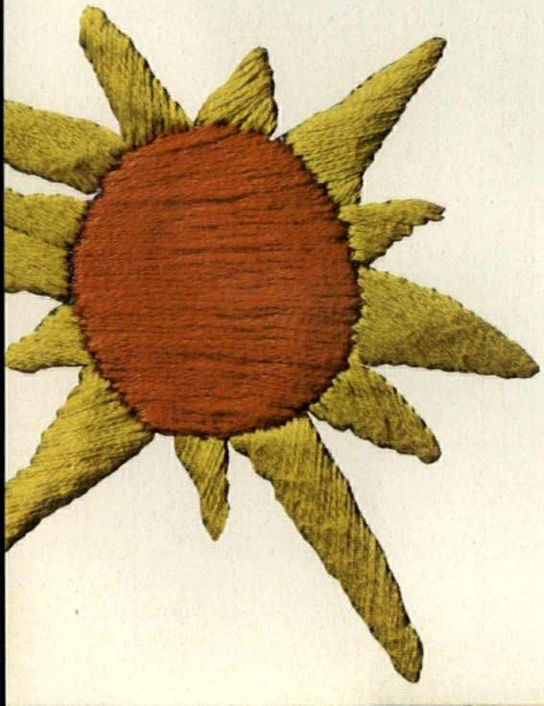
Dress

Acapulco is an extremely casual place with suits and even sport coats virtually against the law. For the ladies, anything goes as long as it is cool, colorful, casual and comfortable.

Tax Deduction of Expenses

An income tax deduction is allowed for expenses of education (includes registration fees, travel, meals, lodgings) undertaken to maintain and improve professional skills. See Treasury regulation 1.162-5 Coughlin vs. Commissioner 203F. 2d 307.

11–74



Mexico Conference
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McGraw-Hill, Inc.
1221 Avenue of the Americas
N.Y., N.Y. 10020

Gentlemen: Please register me for your second annual Conference on Resort Development Opportunities in Mexico to be held November 25-27 at the Acapulco Princess Hotel y Club de Golf, Acapulco, Mexico.

☐ Check payable to House & Home enclosed.

☐ Bill me

See hotel reservations section above and check one box.

☐ I'll make my own hotel reservations.

☐ Enclosed is my check payable to the Acapulco Princess Hotel, covering the deposit fee for ______ room(s) at the Acapulco Princess Hotel. I will arrive on ___/___ and check out on ___/___.

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Title ______________________

Company ______________________

Address ______________________

City ____________ State ________ Zip ________

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Additional registrations from my company:

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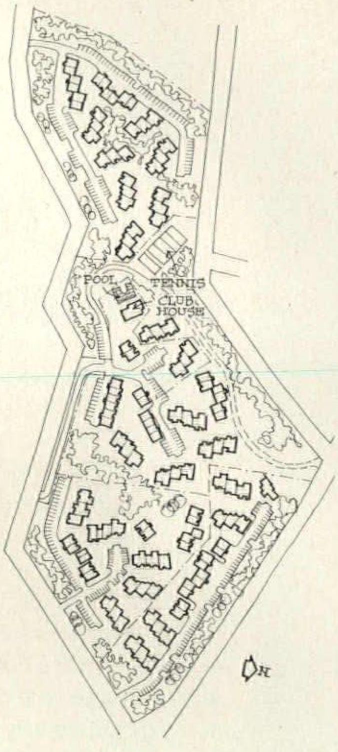
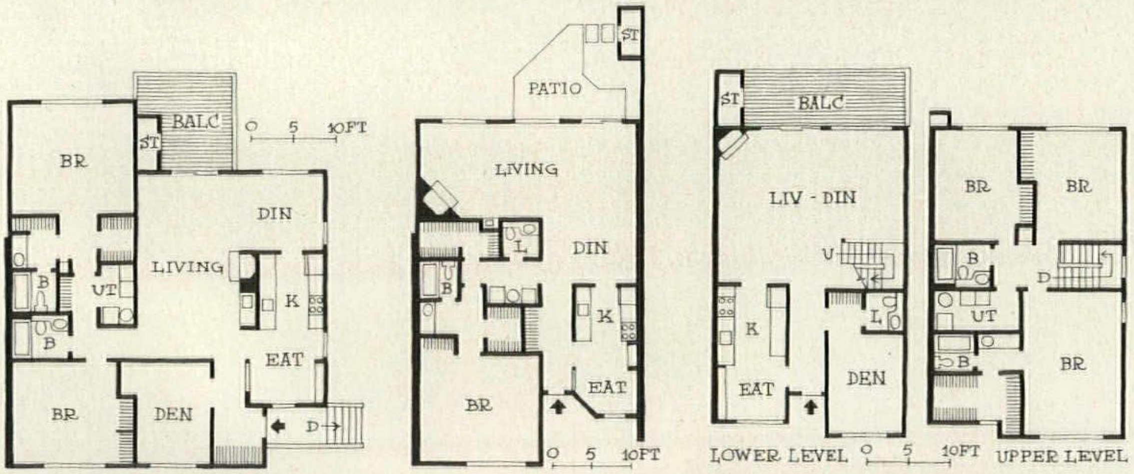
Name ______________________

Title ______________________

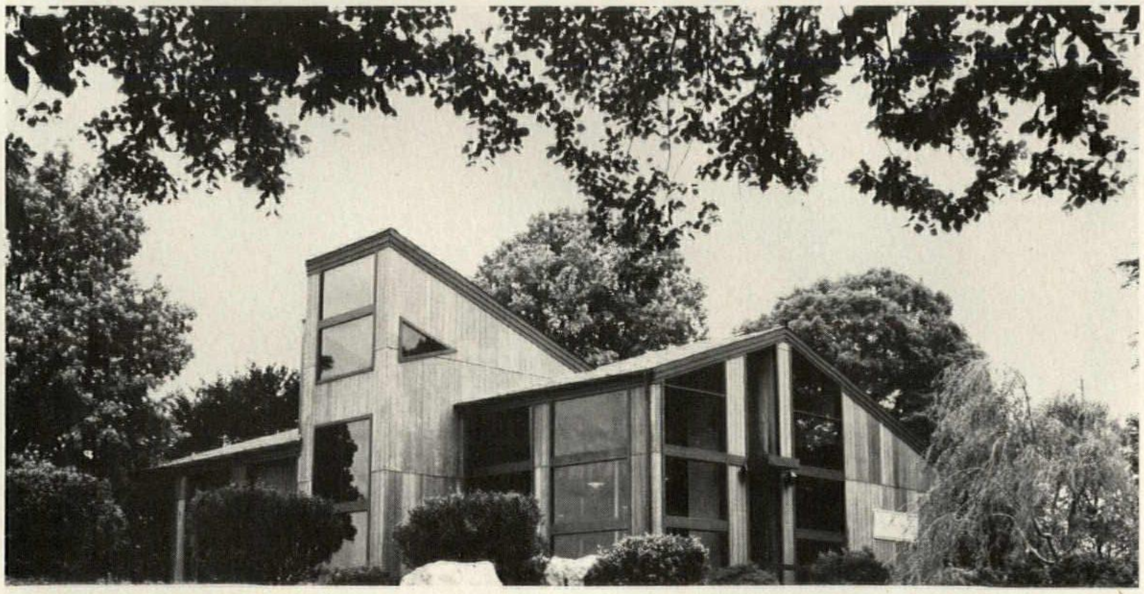


23-acre site includes 188 units, parking for 376 cars, swimming pool and tennis and platform tennis courts.

The old rule holds: Find a hole in the market and you'll sell fast



Three of eight available plans are fastest seller *(left)*, smallest unit *(center)* and largest *(right)*. Castro-Blanco Piscioneri and Feder, architects, designed housing and planned site with Miceli, Weed & Kulik, landscape architects. Clubhouse/sales center *(below)* has tower to capture view of Hudson valley.



And this condominium project—Edgemont in Tarrytown, N.Y.—is a case in point. Despite a dismal housing market, the developer, Sterling Equities, has sold 157 of the 188 units in five months.

True, partners Fred Wilpon and Saul Katz have a couple of things going for them. First, there's the location—a hillside with a view of the Hudson River. Then there's the site itself—a former private arboretum stocked with specimen trees and shrubs, which the developers wisely saved.

Nevertheless, the key to Edgemont's success is that it offers a type of housing that buyers want and no one else is building in the area. Most of the nearby for-sale housing is single-family at $80,000 and up. And the few other condos are either in a different price bracket or of a different type—high- and midrise buildings.

By contrast, Edgemont's housing is priced from $49,500 to $72,500, and its clustered buildings are small in scale. The choice of units is wide—from a one-bedroom flat to a bi-level with three bedrooms and a den.

The buyer mix is also wide—includes young couples, empty nesters and a few families with children.

"You can turn floor-plan problem areas into model-home marketing assets with imaginative interior design"

In designing model-home and apartment interiors, a decorator often encounters problem areas—awkwardly placed windows, excessively narrow or dark rooms or simply pockets of wasted space—that create what I call design dilemmas.

To a layman, these problem areas might seem inconsequential, particularly when viewed separately; to the interior designer, however, they're red flags—areas that could psychologically turn off a buyer who's considering the overall livability of the model.

It's a rare floor plan that doesn't present at least one design dilemma. But with a little imagination, you or your designer can convert a dilemma into an eye-catching merchandising asset that prospects will remember after a day of model-home shopping.

Here are some frequent problem areas and the design techniques we've used to solve them.

Dead space under a stairwell. This commonly wasted space can be put to work in several ways. You can create a cozy conversation area like the one shown in photo A by flanking a combination chess/backgammon table with wingback chairs. The result: an interesting vignette that prospects will recall even if they don't know a rook from a pawn.

Or, depending on the angle and amount of space that's available, you could create a music area (using a baby grand piano) or a mini-gallery by grouping pedestals to display art and/or plants.

Nooks and crannies. You'll find them in every floor plan if you look hard enough. In a secondary bedroom, for example, an alcove can be sectioned off with louvered doors to create a private sewing area; or if the bedroom is designed for children, that alcove can be converted into a small library-study area. And a deep dining-room alcove is the perfect spot for a built-in floor-to-ceiling wine rack.

In a family or living room, an irregular wall—one that juts in and out—can be evened out with built-in bookcases or by setting etageres in the inset areas of the wall.

What about the currently popular L-shaped master-bedroom layout? You can turn the L into an adult retreat. All that's needed is a loveseat and a comfortable chair; the space becomes a sitting room for conversation or TV viewing.

Small or narrow rooms. A common dining-room problem is lack of space for serving and/or a buffet. One good solution is what I call a floating shelf. Built of either glass or wood and fastened to the wall, it can hold a chafing or serving dish or be accessorized with dried flowers, plants or objets d'art.

Rental apartments and small condominiums sometimes have a more critical problem: no specific area for a dining table and chairs. One answer is to use a table-for-two that projects out of a living-room wall unit. For added drama install a mirror at the point where the table meets the wall.

In a small children's bedroom, it's often difficult to display twin beds. And the typical bunk-bed treatment has lost its excitement. For a fresh approach, build the bunk beds at right angles to one another and include a desk top for good measure *(see photo B)*.

Soaring walls. Those high cathedral ceilings found in a lot of today's new homes produce a special decorating problem. How do you keep all that added wall space from being a dull expanse? When faced with this dilemma, I've used a massive framed picture to create an interesting focal point. Another suggestion: build in floor-to-ceiling bookcases to emphasize the height of the room.

Oblong and odd-shaped windows. They're too tall for normal window shades and too narrow for a drapery treatment. What do you do? Build an eggcrate etagere (two dozen smallish cubicle shelves) in front of the windows. An eggcrate etagere is an ideal showcase for offbeat accessories, plants, interesting kitchen utensils and bric-a-brac.

Balancing an unbalanced room. Shutters over bedroom windows look great, particularly when night stands are placed in front of the windows. But what happens if there's only a window on one side of the bed? For a balancing touch, put a mirror behind the second night stand and cover the mirror with an identical set of shutters. The dual *windows* become a perfect frame for a novel headboard treatment *(see photo C)*

Windowless kitchens. You're most likely to find them in multifamily housing. Often called galley kitchens, they can be opened up visually with a functional and decorative wall treatment like the one shown in photo D. This combination of shelving and strips of mirror captures and reflects the outside light and expands the small room.


A


B


C


D

CAROLE EICHEN, CAROLE EICHEN INTERIORS, FULLERTON, CALIF.

WHEN IT'S A QUESTION OF REMODELING...HOMASOTE HAS AN ANSWER!

FOLD ON DASH LINE

CUT HERE

WE'D LIKE TO DEMONSTRATE IT!

Take 2 minutes and cut this page on the two lines indicated. Fold up the right side and you will see how Homasote can finish off unused space into a warm, comfortable and functional Family Room. Homasote Products make it easy to add an addition—from the expansion joints in the foundation to the interior washable paneling.

Fold up the left side and you will see that Homasote Products make it easy to add more living space that is both economical and attractive. Fold up both sides and the remodeling job is complete.

For over 65 years, Homasote has been manufacturing quality recycled building products for use in all types of construction.

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Structure: Homasote Products are approved by major national building codes for use as structural building components such as nail-base sheathing, roof decking and floor decking.

Insulation: With a "k" value of up to 114% better than the "k" value of plywood, or gypsum wallboard —*and* resistance to temperature, air and moisture penetration—Homasote offers *complete* insulation for reduced heat loss, comfort—and of course, conservation of energy.

Decoration: Decorative vapor barrier finishes on roof decking; tackable, natural cork and burlap veneered interior paneling; exterior textured siding that looks great painted or stained; korad film covered exterior panels—Homasote offers the wide variety of looks for modern or traditional styles—all based on the substrate of natural Homasote.

Cost: With a basic cost that is below wood and plywood, *and* with the extra value Homasote Home Improvement Products offer over conventional wood construction materials, economy is possible with no sacrifice in quality.

Homeowners and businesses have remodeling needs, you have ideas—Homasote has some answers. For more information on the Homasote Home Improvement Product Line, Contact your local Homasote Distributor or write: The Homasote Co., West Trenton, N.J. 08628

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Plastic products labeling

H&H: As counsel for the Society of the Plastics Industry, we wish to comment on the article entitled "Plastics Industry Agrees to Publicize Fire Hazards of its Products" [NEWS, Sept.].

The major thrust of the article accurately reflects the contents of the provisionally accepted Federal Trade Commission order concerning the cellular plastics industry; however, the paragraphs in the last column subtitled "Product Warning" are inaccurate and misleading. In that section, the author refers to a precautionary label that he states must be affixed to plastics products until a research program conducted by the plastics industry is completed. This statement is clearly inaccurate, and it confuses provisions of the Consent Order with provisions of a proposed FTC Trade Regulation Rule. A research program will, in fact, be conducted pursuant to the terms of the Consent Order; however, this program is in no way tied to any warning labels and, in fact, no warning labels are required at this point.

The warning label referenced and quoted in the article is contained in an FTC proposed Trade Regulation Rule. However, this rule making procedure is in its proposal stages and is in no way final or effective. Under federal rule making proceedings, a federal agency may introduce numerous items pursuant to a rule making proceeding that may or may not become finalized subsequent to completion of rule making procedures. In this case, the referenced FTC warning is only a proposal and may never become effective or, if put into effect, may consist of language totally different from that currently proposed. The plastics industry is, in fact, strongly opposed to FTC's currently phrased warning as the language contained therein may itself be deceiving and misleading.

PETER M. NEMKOV,
Keller and Heckman
Washington, D.C.

Interest costs

H&H: I challenge any economist to dispute the fact that the *accumulated,* pyramiding and compounded cost of the *use* of dollars has not contributed more toward pricing millions of Americans out of decent shelter than the more publicized increases in construction-labor payments.

Certainly the mortgage rates, now at their highest in my 22 years in the business, are contributory—but what about the cost of using money paid by the dozens of businesses furnishing *component* parts to be used in a home or any other major product?

. . . The electrical contractor is probably borrowing money to finance his business operation. Higher interest, pass it along. The supplier from whom he buys wire, fixtures, switches, insulation etc. all have offices, warehouses, vehicles—they are all borrowing money—and passing the cost of borrowing along. They add to the electrician's costs, which he must "pass along" to the builder who adds that cost into his shelter, then has it *compounded* by being forced to sell at unprecedented mortgage rates. Work back the other way *far enough* and you will find that the consumer is paying for the interest costs of the people mining copper, fabricating wire, compounding plastics and using the machines to fabricate the basic parts . . .

I believe that a national commission to control interest rates (perhaps the mechanics already exist) should monitor and control that facet of our life, police controls and penalize usury and devious tricks such as charging exhorbitant *fees* to make loans or demands for compensating balances, which are forms of getting around limits now imposed in some areas.

IRVING H. PLONE
Plone-Cooper-Plone Corp.
Playa Del Ray, Calif.

Condo comment

H&H: Your report on condominium's "very special problems" [Sept.] was a concise and long overdue perspective on what the housing industry has done to itself with the phenomenon of condominium.

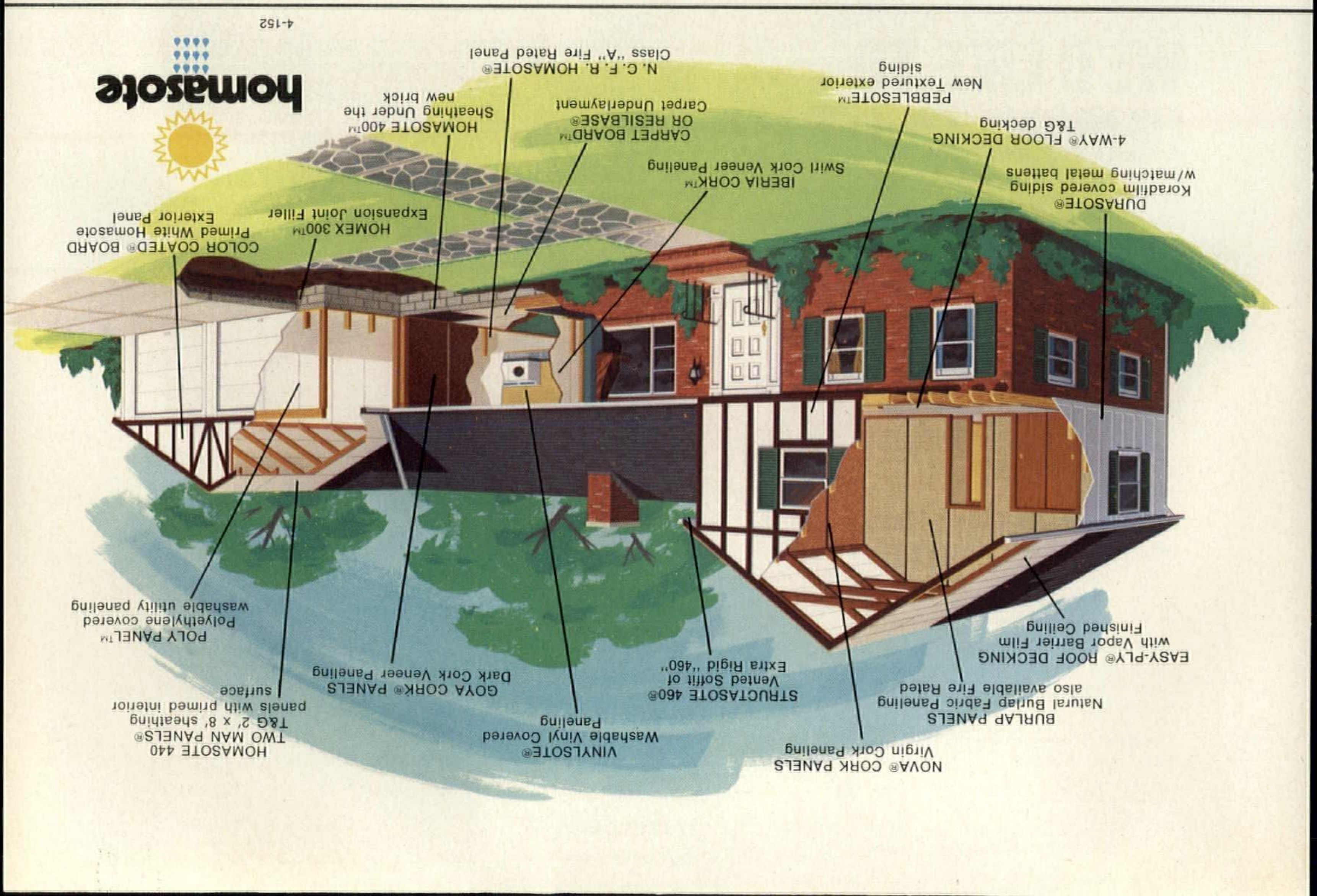
The real reason your report hits home is that the root of the problem continues to be a lack of understanding of what the builder/developer is creating.

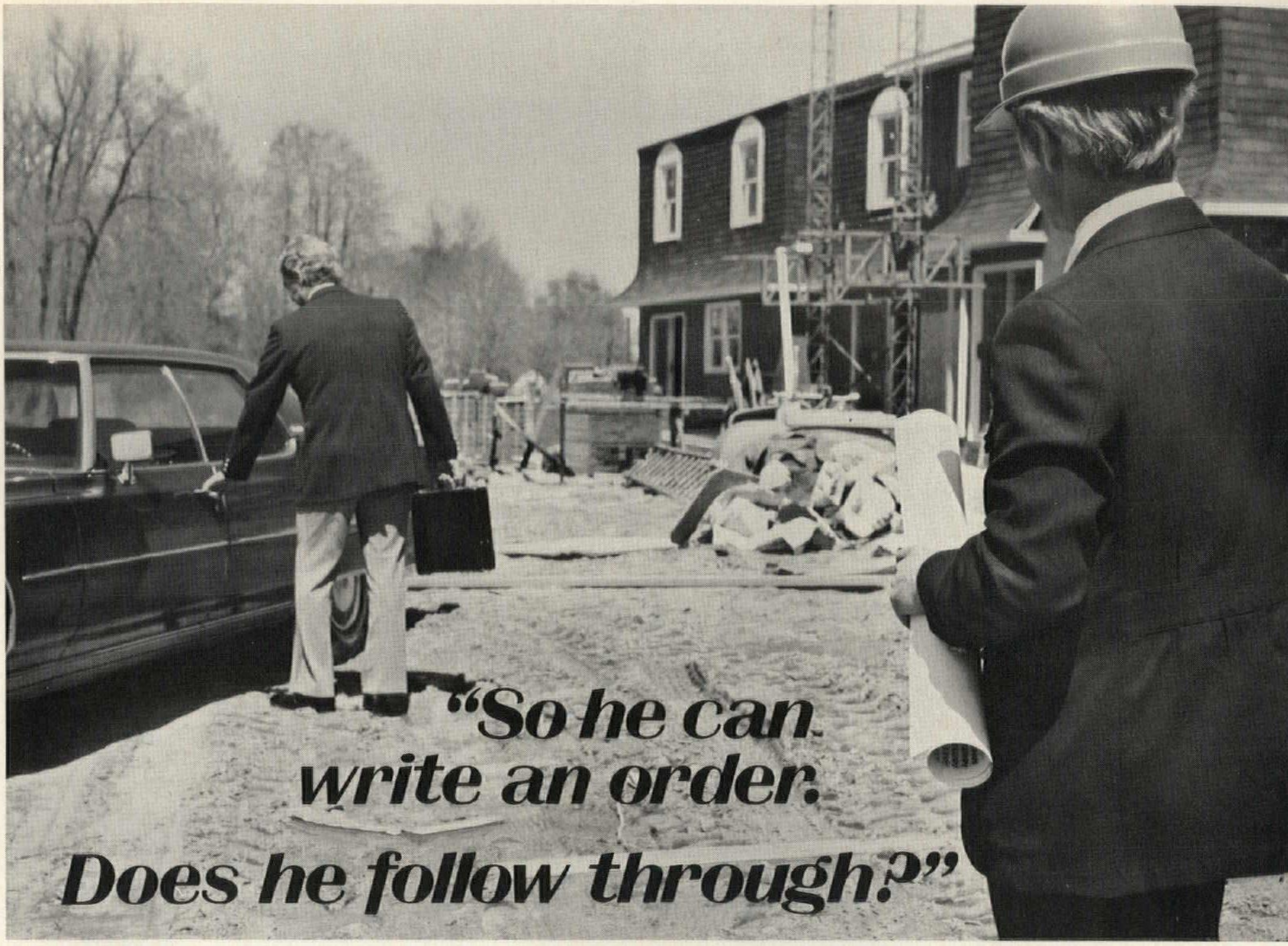
I do not believe that condominium will cease to exist as a viable housing concept. However, its future rests not only on developing an awareness of the potential problems and solutions, but also on a program of continuing education for both the builder and his lender.

Finally, I am concerned that the legislative *reaction* to overzealous consumer *action* will result in condominium laws, at both the federal and state levels, which will be as bad, if not worse, than existing legislation.

EDWARD F. HAVLIK
Commercial Marketing & Management Consultants, Inc.
Hinsdale, Ill.

Arthur Collins is the correct name of the partner in C.E.P. Associates, developer of Lyon Farm, featured in the October issue (page 84)—ED.





If he's one of the 140 Whirlpool builder territory managers, you can bank on it. For some very good reasons.

For starters, he *knows* the builder business and the problems you face in coping with the multiple housing industry crisis. And the importance of prompt handling, scheduling . . . and personal follow-through until on-time, at-site delivery is assured. To help you make it happen on the bottom line.

What's more, to paraphrase that long-running Broadway smash musical, he's got to *know the territory*, your territory. He *has to*, or he wouldn't be calling on you for Whirlpool. (If he's just another order taker, who needs him?)

One of the ways we make sure he's more than that, is by sending him through one of our Builder Seminars, conducted through the facilities of our ultra-modern Whirlpool Educational Center opened in 1963.

Here, builder territory managers from all over the country may participate in training programs to bone up on what's new in literally every phase of the building business. National, regional and local marketing trends and projections, Builder financing, merchandising, kitchen planning and Consulting Services, to name just a few.

All this, in addition to a thorough briefing on all our product lines . . . plus the post-sale peace of mind services Whirlpool offers, to help relieve you of service headaches after you turn over the keys.

The end result of these fact-filled, shirtsleeve sessions? Better-trained, builder-oriented territory managers who can and want to offer helpful counsel and earn your respect . . . both before and after they ask for your order for Whirlpool quality home appliances.

A call to your Whirlpool Distributor will bring one of these men you can bank on, in a hurry. (But only when your schedule permits. We know what your time is worth!)

Ask about
Help where it counts
Whirlpool Distributor pre-sale and post-sale services.

Whirlpool
CORPORATION

We believe quality can be beautiful

CIRCLE 47 ON READER SERVICE CARD

We have a brand-new program specially designed to show your customers that you, as a builder, are aware of their problems, and are dedicated to doing something about them.

It starts with you installing Moen faucets. Moen has a well-deserved reputation for quality, based on the reliable performance record of the 15-million installations we've made over the past decade.

Moen takes responsibility.
In return, Moen will take complete and direct responsibility for product quality. We will guarantee our products from the move-in date through the first two years of occupancy. So once you install Moen products, you can forget about them. No time-consuming, expensive callbacks; no outside service-agencies; no hassle for you.

You show your dedication.
This program merchandises your dedication to easing the energy crisis and tells your prospects how Moen products help save fuel energy and water. Based on our studies, we've found savings amount to $5 to $15 per faucet per year over conventional two-handle faucets. A big part of the savings comes from water savings — several thousand gallons. Another part from heating fuel; 60% of wasted water is heated.

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Moen wraps it up.
To top it off, we give you a complete package of materials, including our plain-spoken warranty . . . and merchandising aids that spotlight your dedication to product integrity and energy conservation. Your prospects keep getting the message from their first walk-through right up to move-in.

Write: Moen, a Division of Stanadyne, Elyria, Ohio 44035. We'll have your Moen man call you to discuss our Dedicated Builder Program.

There's only one. MOEN

CIRCLE 48 ON READER SERVICE CARD

1975

A GOOD RECOVERY–IF...

Money is the key.

If it comes—one way or another—housing can spring from an annual rate of one million starts in the current quarter to 1.7 million in the third quarter of 1975. Four housing economists say private starts will total about 1.5 million next year. And McGraw-Hill's George Christie feels the industry could quite possibly achieve 2 million.

The money will be there.

At least that's the view of Christie and of U.S. Trust's James J. O'Leary. Christie says money will come through very slight easing within the confines of the Fed's tight-money strategy to the point of recession. Reduced demand for credit by business and government would then free funds for housing. O'Leary, on the other hand, contends that monetary stringency is already being relaxed and that this will make credit more plentiful.

As for the builders and developers, many of those interviewed in 12 major markets seem to feel there's no way to go but up. Not surprisingly, there was a goodly amount of wailing at the bar, but the general mood was one of cautious confidence.

On the next seven pages: the economists' predictions, the builders' views and five suggestions on how to stay alive in '75.

About 1½ million in '75 the economists agree

GEORGE A. CHRISTIE
Vice president and chief economist, McGraw-Hill Inf. Sys. Co.

JAMES J. O'LEARY
Vice chairman and economist, United States Trust Company

MICHAEL SUMICHRAST
Chief economist, National Association of Home Builders

DOUGLAS GREENWALD
Chief economist, McGraw-Hill Publications Company

CHRISTIE: *Could be up to 2 million*

One way or another, housing will make a recovery next year. There are two routes.

One of them is preferable, by far. That is via a shift to easier money and reactivation of suspended federal housing programs.

The alternative is to continue monetary and fiscal restraint to the point of precipitating full-scale recession, as in 1970. At some stage in the downward spiral the reduced demands for funds by business and government would free money for housing.

Neither extreme is as likely as is a combination of both.

The Administration's new anti-inflation program is, if anything, a tightening of its past and present policies of restraint. Yet, paradoxically, within this disciplined program there is opportunity for some modest relaxation of *monetary* restraint as other forms of austerity are substituted.

So credit will be a little less tight in 1975, but the Fed will relax its grip only to a degree consistent with the Administration's anti-inflation program—that is, not very much. This means that some of the expected improvement in housing will depend on reduced competition from the business sector for the limited supply of funds.

There are signs that developments along this line are already in their early stages, and as these trends develop, we might anticipate this progression: (1) a few bad weeks in 1974, (2) the beginning of a sustained recovery early in 1975, but with only limited expansion in the first half, and (3) a potential for acceleration in the second half.

Inflation's ravages. One handicap to recovery—second only to the availability of mortgage money—is inflation itself. Sharply rising construction costs will eat up much of whatever additional money becomes available for mortgages.

The year of 1975 shapes up as an improvement over 1974, but that's not saying much. Once the expected upturn takes hold, the year's total could be any number of starts up to, say, two million—depending on credit.

We estimate only enough improvement in the supply of mortgage funds to support 1.55 million units—950,000 of them single-family and 600,000 apartments.

O'LEARY: *1.4 to 1.5 million in '75*

Private housing starts will continue to decline in the remainder of this year and will average out at 1.4 million for 1974 as a whole.

Starts are apt to remain low in the first half of 1975 and then make a fairly good recovery, again averaging 1.4 million to 1.5 million for 1975 as a whole.

This would mean that by the end of 1975 the annual rate would be running about 1.7-million to 1.8-million units.

Expenditures for residential structures will amount to about $48 billion in 1974, a decline of about 16% from the $57 billion in 1973. Those expenditures in 1975 will amount to nearly $56.5 billion, for an 18% increase. Much of this will be simply a markup in the price of housing.

I would not be surprised to see housing starts rise to the 2-million to 2.3-million unit range in 1976.

Factors in recovery. There are two forces affecting housing.

First, President Ford's anti-inflation program will include the injection of several billion dollars of federal funds into the home-mortgage market at a sub-market interest rate. This program will have a significant effect on housing in 1975, perhaps providing the basis for 250,000 to 350,000 starts.

Second, at least a gradual decline of short-term interest rates is beginning, and I expect it to extend well into 1975. A great deal depends, of course, on how far short-term rates come down, but I expect that the decline will be sufficient to stop the disintermediation of the savings institutions and probably to bring a gradual net inflow of deposits.

There is a good chance that a tax measure, such as the exemption from personal income tax of the first $1,000 of depositor's interest, will be adopted. That would, of course, help to bring deposits back into the savings institutions. It seems likely that a lag will occur before the effects of a better flow of funds into the savings institutions will be felt, but I should think that by the second half of 1975 the volume of housing starts will be stimulated by the much-improved flow of funds from those thrift institutions.

Stability and exposure. Let me make one point very clear. The savings institutions are in a very strong financial position in spite of the severe disintermediation. But developments affecting them this year have presented a very serious problem for the viability of the long-term capital markets. Beset with heavy deposit outflows and policy loans, most savings institutions are highly uncertain about the drain of cash from them in the months ahead.

The general reaction has been to cease making new forward commitments to buy bonds and mortgages and to use their cash flow to build liquid assets. Past investment commitments are being honored, but any funds available beyond this are being husbanded in highly liquid form to meet the expected net outflow of deposits and the increase of policy loans. The savings institutions have been forced to plan for the worst possible cash drain. The result is that there is a drying-up of the availability of funds in the long-term capital markets. As this has happened, borrowing that would have been accommodated in the long-term markets is often shifted to the commercial banks, frequently in the form of term loans. The entire process seems to be feeding on itself because the shift of borrowing into the short-term markets tends to put upward pressure on short-term rates, the very thing that feeds the disintermediation and reduces availability of long-term funds.

SUMICHRAST: *Rate down to a million*

"The starts rate is going down to one million," says Michael Sumichrast, economist for the NAHB. "I just hope it won't go under a million. The last quarter of the year is a very weak quarter, and the first quarter of next year will be a little better, but not much."

Sumichrast's projections are in total starts, public plus private. Total starts usually run only about 12,000 to 20,000 above private starts, however, so his figures are a close gauge of private starts. Here is his prediction:

1 Q 74	1.6-M	1 Q 75	1.2-1.3-M (Est.)
2 Q 74	1.6-M	2 Q 75	1.4-1.5-M (Est.)
3 Q 74	1.2-M	3 Q 75	1.5-1.7-M (Est.)
4 Q 74	1.0-M (Est.)	4 Q 75	1.7-M (Est.)

For 1975, Sumichrast foresees 1,445,000 to 1,550,000 starts—depending on how much help the Ford Administration gives the industry for the 1974 calendar year. His forecast is 1,361,900 starts.

Interest rates. To get these figures for next year, Sumichrast's assumptions are that the prime rate drops to 9% by January and then to 8% by next September—with no help for the multifamily sector until March; with government Tandem Plan programs helping sales through the first quarter of 1975; and the return of conventional commitments by the S&L's by spring.

The real story behind the figures, Sumichrast says, is the sharp decline in starts of rental units. He predicts that only 26% of the starts next year will be rental, compared to 32% this year and 37% in 1973.

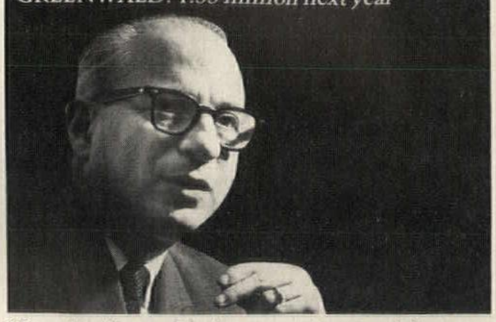
Traditionally rental units ran to around half the starts, but Sumichrast sees only 364,000 rental units being started in 1975 compared with 760,000 last year. The annual rate of multifamily starts was 300,000 in August 1974—compared to 900,000 a year earlier.

Unsold for-sale housing still hangs heavy over the market, with most recent figures showing 430,000 units—about where the inventory has hung for the last eight months.

"It will take eight to ten months to work that off," Sumichrast says, "to down around 200,000."

—Don Loomis
McGraw-Hill World News,
Washington

GREENWALD: *1.55 million next year*



Housing is not likely to recover swiftly.

The number of units authorized by local building permits, a leading indicator of starts, is running far below the levels of a year ago and even farther below the levels preceding the peak year of housing starts, 1972. Permits were at a 0.9-million annual rate in August, down by 50% from the 1.8-million rate of a year earlier. Two other indicators, applications for FHA commitments and requests for VA appraisals, also suggest that a turnaround in housing is not likely by year end.

In addition to higher mortgage rates, the prices of houses have soared in the past year. Contributing factors have been soaring land costs; sharply rising materials costs, especially for petroleum based products such as roofing and plastics, and metal products such as plumbing pipe and electrical wiring; rising labor costs despite the housing slowdown; and higher fuel costs for construction machinery.

It is likely that housing will fare better in 1975 than in 1974.

We expect interest rates to come down, resulting in some return flow of funds, into thrift institutions. The prime rate has dipped from its record 12% to 11¾% and is expected to decline moderately by the end of 1974.

If President Ford's program for reducing the rate of inflation shows signs of effectiveness, this could allow the Fed to relax credit. This would then permit a further modest reduction of interest rates.

The sharply higher mortgage rates and declining availability of mortgage money have taken a large number of potential homebuyers out of the market. Thus, there is a large amount of pent-up demand for housing waiting for a decline in rates and a lessening of mortgage availability.

Private starts (including farm) will total less than 1.4 million this year, down a whopping 33% from 1973. But next year, with more mortgage funds likely to be available and mortgage rates declining from about 10% to about 8.5%, starts are expected to rise about 13% to about 1.55 million.

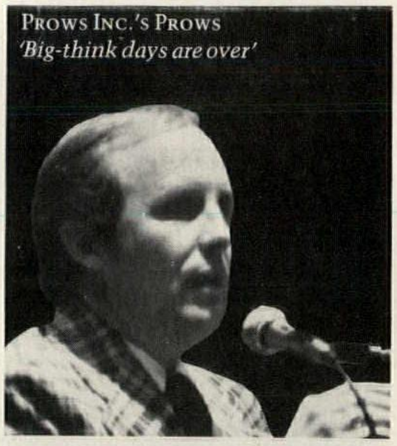
Until the rise in construction costs slows, there is no hope for another big housing year.

TO NEXT PAGE

How to survive in '75: Five strong views

How to increase profits and reduce costs in the 1975 housing market—a theme to warm the hearts of builders in a cold world.

Here are the guidelines given by five leading housing figures at the NAHB's apartment and condominium conference in San Francisco. The spokesmen are two builders, an architect, a property manager and a marketing specialist. They have distilled their ideas from considerable expertise, and their proposals are advanced for the profitable use of any residential builder.

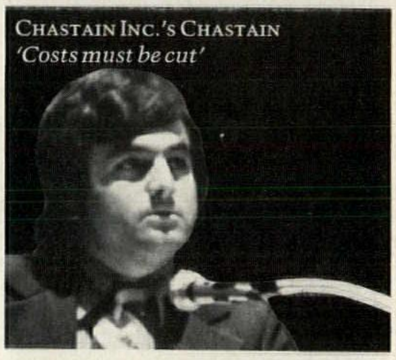


PROWS INC.'S PROWS
'Big-think days are over'

The formula for survival in 1975 is: "Think small." The days for thinking big are over.

We've got to get back to the basics. Cut jobs into smaller phases that you can control better. Quit trying to control costs with an accounting system and build the controls where they should be—in the field. Develop a product that works and work it to death. We will be sticking with a conservative, tried-and-true two-bedroom home with a walkout basement that's an expansion area when the buyer can afford it.

Management has lost sight of the purpose of all the reporting forms and communications systems: help people remember. Activities must be identified in painstaking checklists and defined in job descriptions so that you and your staff don't forget things. When we look at a new piece of land we evaluate it with a *23-page* checklist.

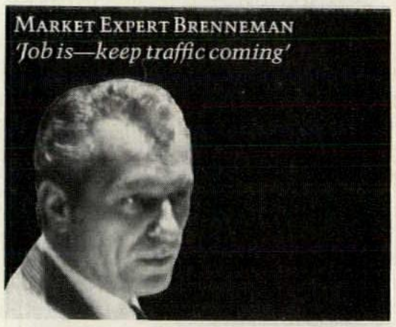


CHASTAIN INC.'S CHASTAIN
'Costs must be cut'

Our success next year will depend to a great extent on how well our subcontractors serve us. We'll do all we can to help.

We'll meet with the subs to find out which types of products are best suited to their production methods. We'll make sure that our subs get together with our architect to head off problems.

Costs must be cut, but acceptability of our product has to be greater than ever, so cost-cutting can't be allowed to show. We'll lower our ceiling heights, switch to box beams over windows and use other cost-savers, but we won't cut on drywall and painting because that's what the buyer sees. The quality of the drywall and painting determines to a very high degree the acceptability of your product.



MARKET EXPERT BRENNEMAN
'Job is—keep traffic coming'

Our big job will be keeping traffic coming to the projects. And we're going to have to do it with much-reduced advertising budgets. Ads will be reused more often, brochures simplified, and creative, on-site promotion ideas thought up to draw prospects to the projects without using expensive ads.

Condominium builders have another big job: teaching their salesmen how to sell the product. The 1975 condo buyer will be more skeptical and sharper than ever—and in too many cases, sharper than the salesman who is trying to sell him.

Times are too tough now to ride along with salesmen who can't answer questions on management, fees, taxes and the like.

ARCHITECT KRONSTADT
'Prices must be brought back'

Our number-one priority in 1975 is an overall attack on house costs. Sales prices must be brought back within reach of the increasing number of people who are being cut out of the market.

We could shave 25% off prices through economies in site planning and building design and some old sweat-equity ideas.

By going to three and four stories we can reduce land coverage without reducing living space. By offering unfinished bonus rooms we can reduce monthly payments substantially also without reducing living space. We need a two-story house with an expandable third level, a townhouse with an unfinished walkout basement, a roughed-in extra bathroom that functions as a closet until the buyer can finish it.

By getting back to a basic, functional house, we could probably cut $40 to $75 from buyers' monthly payments.

O.F.C. COMPANY'S FUNGER
'Fight utility rate increases'

Rising energy costs and the need to conserve fuel will dominate our apartment operating methods in 1975. We can't get interruptible gas service any more, and oil runs double and triple the cost of gas.

We'll be educating tenants in fuel conservation, urging them to open and close blinds to let in sun during cold weather and keep it out in warm weather.

Most important, we'll be staying on top of what the local utility is doing and we'll be ready to fight utility rate increases in the courts if necessary.

RICHARD PROWS
President, Richard Prows Inc.
Salt Lake City tract builder

DALE CHASTAIN
President, Chastain Builders Inc.
Tucson, Ariz. custom builders

GEORGE BRENNEMAN
President, Brenneman Associates
Washington, D.C. market specialist

ARNOLD KRONSTADT
Architect, Collins & Kronstadt,
Silver Spring, Md.

MORTON FUNGER
President, O.F.C. CO,, Washington,
D.C., property management

Builders look '75 in the eye—tell how they'll cope

Homebuilders confronting 1975 are divided, like Gaul, into three parts:

- Some optimists, who plan more starts than in depressed 1974.
- Numerous pessimists, who plan no more and perhaps even fewer.
- Superbears like Jerry Cohn of Cohn Communities in Atlanta (an NAHB director)—and Gerhard R. Andlinger.

Here's Andlinger, chairman of Levitt and Sons, in a letter to President Ford:

"The deteriorating housing picture in America today. . . can cause one of the worst economic conditions of modern times. By this time next year (he writes in September), 50% of the industry could be wiped out."

Cohn, for his part, fears a collapse of the nation's banking system.

These are two of the more extreme views expressed by more than a score of the top builders in all of the nation's key markets. They have just been interviewed on these two issues:

What does 1975 hold in store for you, and how will you cope? Here is a capsule of their thinking.

The retreat. As the housing market shrinks, the watchword among homebuilders is "pull back." And one way or another, that seems to be what the majority are planning to do in 1975.

Many are cutting way back on starts—some back to zero until things improve. Smaller builders are leaving the business altogether—voluntarily or otherwise—and may never return.

But there are other ways of pulling back. Major builders and others who expanded into new marketing regions during the lush years are withdrawing geographically, into their old grounds. Larwin is getting out of Chicago (p. 12); Levitt out of Atlanta; Hallcraft is winding down its operations in Denver and San Diego.

Hoffman-Rosner's Jack Hoffman looks on the phase-down trend with equanimity. His home ground is Chicago, where he now foresees better days ahead. "Chicago was invaded by a lot of out-of-town people who are going back home. This means the pie will be cut up better for the rest of us."

Back to the basic house. Another noticeable trend throughout the country is from alternate forms of housing to the good old, tried-and-true, single-family detached dwelling. All the "economical" modes are falling out of favor with builders in area after area, despite rising costs, despite tight money, despite buyer caution.

The reasons are straightforward enough. Here are most of them:

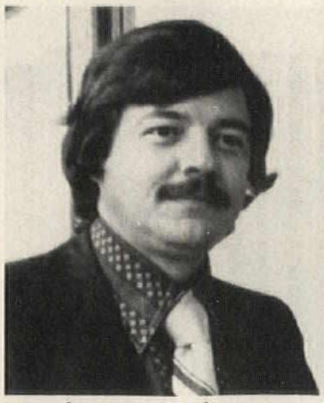
Apartments and condos. "The cost of apartment construction would simply drive the rents too high," says Merril Butler, president of Butler Housing Corp. in Irvine, Calif.

"There are 77,000 condominium units either completed or nearing completion (in Florida alone) for which there are few apparent buyers," says Ross Stemer of U.S. Home in Clearwater. "It'll take 18 months to two years to deplete that inventory.".

"We're moving out of the condo field because economies of scale and density are not possible any more," says Jack Witkin of Denver. "For example, we used to pay one tap fee for a ten-condo building and now we have to pay ten fees. Savings in density are offset by the cost of expanding amenities."

Planned developments. "Processing through government agencies creates some real problems with time," says Gordon Hanson of Challenge Developments, in Redwood City, Calif. "And certainly the economics are such, with the associations, the front-end costs of recreational facilities, tight money, etc., as to lead us to consider other ways of handling a project."

Townhouses—"The absorption rate for townhouses just isn't very good," contends William McFarland, president of the Mc-



"Finds poor townhouse market"
William McFarland
President, The McCarthy Co.

"Buyers are skeptical . . . uncertain"
Richard A. Wall
President and chairman, The Builders Group, Ltd.

"Condos are losing their charm"
Jack A. Witkin
President, Witkin Homes

"Money is number one, two and three." But there are other problems: materials costs and breakeven points and scared buyers and no-growth and labor costs and land costs and slow suppliers and...

Carthy Co., located in San Rafael, Calif.

"We still have 40 of the 90 we built this year," says E. M. Harris of Fenton, Mo. "Next year we'll stick to single family."

"I think single family is selling better because people in lower-income groups, who usually buy the less expensive townhouses, are hurt most by inflation and higher interest rates," said Merril Butler, Jr., president of Butler Housing Corp., Irvine, Calif.

It's worth noting that there was a small but definite undertow of builders moving in the opposite direction on townhouses, who gave precedence to the logic of townhouse economics.

Hobart Smith, in Charlotte, N.C. explains: "I believe this is the direction of the future, because it's the only way to keep the price of housing within reach."

The money squeeze. Almost all builders who were interviewed cited tight money combined with interest rates as their principal problem.

John Williams, president of Post Properties in Atlanta, put it this way:

"Money is number one, two and three."

Next came the absence of buyer confidence, in many markets.

Soaring materials costs and rising breakeven prices for new houses were other difficulties cited by builders virtually everywhere.

Other worries of recent years—shortages, no-growth edicts, labor, land prices and so forth—nagged many minds, to be sure. But by now these concerns seem comparatively small beer to most of the builders who talked about them.

Here are what the individual builders are saying as they wipe the blood off their faces from 1974 and take some hard, measuring looks at 1975.

Surprise: Seattle's rally. "If we had a lot of money at reasonable interest rates, the market in Seattle would be the damnedest ever," says Herb Chaffey of Wick Homes Inc.

Chaffey's region turned out to be about the healthiest in the survey. Alaska pipeline work and plentiful electric power are drawing new industries to Puget Sound; they in turn are attracting new customers for housing; and the economic trauma of the Boeing layoffs of years past is dissipating.

"Our September sales were the best in years," Chaffey notes.

But that market still feels the constraints of tight money. Wick Homes plans 350 to 400 starts next year, about the same as in 1973 and 1974; if mortgage rates would only drop below 9%, Chaffey figures Wick could build 500 homes.

"But if rates stay high like this, we'll have to take a long, hard look, even at existing plans for next year."

Caution in California. Builders elsewhere may well envy Chaffey his vibrant underlying market, because for them the next move on interest rates is a more crucial matter than determining merely whether a good business will get better.

Richard B. Smith, president of Broadmoor Homes in Tustin, Calif., thinks his market—Los Angeles-fed Orange County—is probably the most viable in the country. But he is cautious in the extreme:

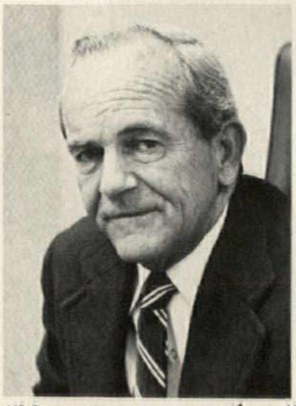
"When we complete the houses we now have under construction we will have the largest inventory we have had in the past three years. Normally this would be a six- to eight-month supply, but at the current sales rate it's about 18 months' supply. So, unless more mortgage funds become available and sales improve, we won't be starting *any* new construction,"

Merril Butler, Jr., in neary Irvine, is also hesitant.

"I think the housing depression will continue virtually unchanged for the first six months of 1975," he says. "And unless financing becomes available, there's no way I

MCKOON PHOTOGRAPHY

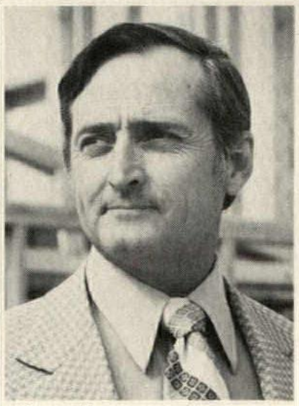
ELSON ALEXANDRE



"No more starts until..."
RICHARD B. SMITH
President, Broadmoor Homes

"Finds some costs down for a change"
MILTON E. HOYT
President, Hoyt Development Co.

"We subsidize buyer's rate"
SAMUEL M. PERRONE
A "principal" of Pace Const.



"A walk on the brighter side"
DICK J. RANDALL
Vice president,
The William Lyon Co.

"Housing depression for first half"
MERRIL BUTLER JR.
President, Butler Housing Corp.

can see for me to start another house."

But Dick J. Randall, of The William Lyon Co. in Santa Clara, says he's having better luck with the California market.

"Thanks to the Freddie Mac and Ginnie Mae programs, we're doing very well . . . as long as interest rates aren't over 9% or 9½%, it doesn't seem to bother the buyer. I think we're better off in California than builders in the midwest and east."

Retreat in Southwest. Hallcraft Homes, the big Phoenix-based builder, thinks there'll be some improvement, but is pulling in its horns anyway.

"I look for a general turnaround late in the first quarter of '75," says President Lew Wright, "primarily through HUD programs for the $20,000-$30,000 range. I don't see any relief in the general conventional market until late '75." He expects to do about 1,500 units next year.

Hallcraft finished fiscal 1974 with 2,600 units in Phoenix, Los Angeles, Denver and San Diego.

"We'll be winding down the San Diego and Denver operations. The markets are good there, but we're more familiar with the others."

Staying power in Miami. Besides cutting back or cutting out, builders were devising another strategy: staying flexible.

"We are liquid and we will be able to ride it out," says Robert Grossberger in Miami. This executive vice president of Caravel of Florida was not smug—just thankful.

E.M. Harris of Fenton, Mo., will keep building, but with a revised game plan. "We'd like to do 150 single-family homes," he said, "and we're grading a new tract. But we'll put in sewering and streets for only 50 at a time. We want a better fix on the economy before planning at those levels again."

In North Carolina, Hobart C. Smith is tapping 7¾% to 8% Tandem Plan money to start two projects that will increase his units by a third next year. But even with the interest rates he's got, Smith admits he's taking a chance:

"If the total economic situation doesn't turn around, we could be in deep trouble. We are relying on our faith in the overall system."

The Wall Street bugbear. "Stimulating buyer interest in view of the energy crunch and general economic uncertainties is going to be a major challenge," says Matt M. Jetton, chairman of Tampa's Sunstate Builders.

"Buyers are skeptical," agrees Richard A. Wall, who builds in Denver. "They don't know whom to believe, and they are uncertain about making probably the biggest investment of their lives." Wall says he has 8¾% money but still can't keep sales on track.

Houston's Ed Clarac, builder of $100,000-and-up houses, notes the same problem and sees another facet to it.

"There are a lot of people who think—and maybe rightfully so—that interest rates will go down." Discussing the state of his own business, he explains obliquely: "So many of our buyers are enmeshed in the stock market that they do what the market does."

Another builder with a weather eye on Wall Street is Leonard Miller, president of Miami's Lennar Corp. Not only is his company public (NYSE), but "historically, when the stock market is down and the economy uneven, people don't come to Florida in the winter."

Miller is expecting a difficult winter.

Helping with the mortgage. Superbear Cohn in Atlanta is mounting an effort to offset the missing-buyer problem.

"We're going to try one major ad campaign to see if we can communicate the idea that we have 7¾% money (Ginnie Mae), that we have a good product and that we'll never be able to duplicate the interest rate or the product or the price ever again."

Cohn's trying to interest 61 of his subcontractors and suppliers in going in with him on the double-page newspaper ads he plans. "They're faced with the same situation I'm faced with," he says. "Either you lay off people and go down to a skeleton force or you try to do something."

Another builder with a "something" is Samuel M. Perrone, one of the three principals of Pacer Construction in Cleveland, Ohio. "We're trying to help people with their finance problems. We have subsidy programs whereby we will help subsidize the interest rates. We reimburse the homebuyer approximately 1½%. We send him, either in a lump sum or each month, a check, which will reduce the interest rate to, say, 8½%."

There was one strong note of disagreement with all the talk of buyer gloom. At the offices of Corcoran, Mullins, Jennison Inc., in Milton, Mass., marketing director Linda Dixon said:

"I don't see any lack of buyer interest—it's a question of money, the availability and the cost of it. We plan to keep our houses in the moderate price range, about $40,000, for that reason; it's easier to place two smaller mortgages than one big one."

Materials costs. There was wider disagreement about materials than on any other issue. Those costs, depending on who is talking, are trending up, down or sideways.

"Up," insists California's Butler. "I estimate the cost of materials rose 50% in the first half of 1974. Plastic pipe and steel rebars increased more than 200%, remember? And Environmental Protection Agency rules contribute greatly to our increased costs.

"But price hikes should taper off a bit in 1975—but perhaps only to about 25%."

Hallcraft's Lew Wright is one of those not so pessimistic, but he's not so certain, either: "Who knows? There are so many price in-

GRAY STUDIOS

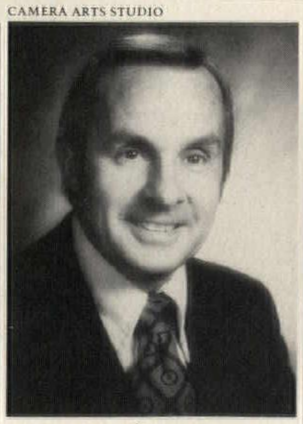
"Fears 50% wipeout"
GERHARD R. ANDLINGER
Chairman and chief executive officer, Levitt and Sons

"Faith in the overall system"
HOBART C. SMITH
North Carolina builder

BRADFORD BACHRACH

"It's all caused by tight money"
LINDA DIXON
Marketing director, Corcoran, Mullins, Jennison Inc.

CAMERA ARTS STUDIO



"Winding down out of town"
LEW WRIGHT
President, Hallcraft Homes

"Materials not a major problem"
ROSS H. STEMER
Director of Communications, U.S. Home Corp.

"Nobody is lowering land prices. They are resisting the fact that the land can't sell."

creases tied to the petrochemicals, it's hard to say. Maybe they'll only rise 9% or 10%."

For a third view, there is Ross Stemer, director of communications for U.S. Home Corp. in Clearwater, Fla. "Materials costs are not a major problem," he contends. "There has been some leveling in view of the drop in building. Slackening demand has slowed the rise in costs."

"Prices are even coming down in some cases," says President Milton E. Hoyt of Hoyt Development Co. in St. Petersburg, Fla. "Lumber costs are off about 25% in the last few months. Concrete blocks have dipped about 10% in recent weeks.

"And some suppliers are offering 5% discount for payment by the 10th of the month, instead of the customary 2% discount.

'Taking advantage.' If there is disagreement on cost trends, there is nevertheless much anger over recent high-altitude price levels.

Witness Houston's Ed Clarac:

"In such a state of flux," he asserts vigorously," it is just about next to impossible to do intelligent buying."

"Things are getting so high that no one can afford to buy them. Steel is ridiculous, more than 100% higher in some cases now than a year ago; wire mesh is up almost 200%. Concrete quotes jumped from $14.30 per yard to $28 per yard this fall.

"And in a lot of cases, these increases are not legitimate recovery of costs. Some of these people are simply taking advantage of a situation. I don't know how you can stop that sort of thing. I haven't heard of an intelligent solution to it, and I certainly don't think price controls are the answer."

Costs have embittered Chicago builder Albert Frank too: "With housing off one million units, I don't see how they can raise the prices of toilets and tubs. There's no demand. But these manufacturers have taken a lesson from the Arab oil situation. They are in a semi-monopolistic industry and they can raise prices 300%, and you still have to buy.

"The best thing for prices would be if housing stays in very, very depressed conditions all of next year and drives some of them down."

Labor and land. Most builders who talked about labor costs assumed they would be up in 1975, but there were varying estimates of how much.

Views on the course of land prices varied widely. Many builders foresaw declines next year in their areas, though a few noted scarcities of buildable land, and figured such property would sell at a premium. Stemer noted another factor affecting land:

"Nobody is lowering prices. Owners are resisting the fact that they can't sell their land, so they are holding on for better prices in the future."

Most builders dismissed shortages as a problem for '75, however infuriating they may have been in '73 and '74.

"But availability is still a problem in a different way," notes Challenge Development's Gordon W. Hanson. "The long delays now from the time ordered to the time delivered are something we are not used to." Other homebuilders chimed in with similar comments.

Spirit of revival. Despite all the changes in the housing industry and its outlook in 1974, the survey indicated that one aspect of the business remains unchanged. There persists a certain stubborn (and perhaps reflexive) faith in the ultimate future of the business.

Hoyt of Tampa summed it up most simply:

"Housing'll come back. It always does."

BRANT

"If we had the money around..."
HERB E. CHAFFEY
Wick Homes Corp.

"We are liquid"
ROBERT GROSSBERGER
Executive v.p., Caravel of Florida

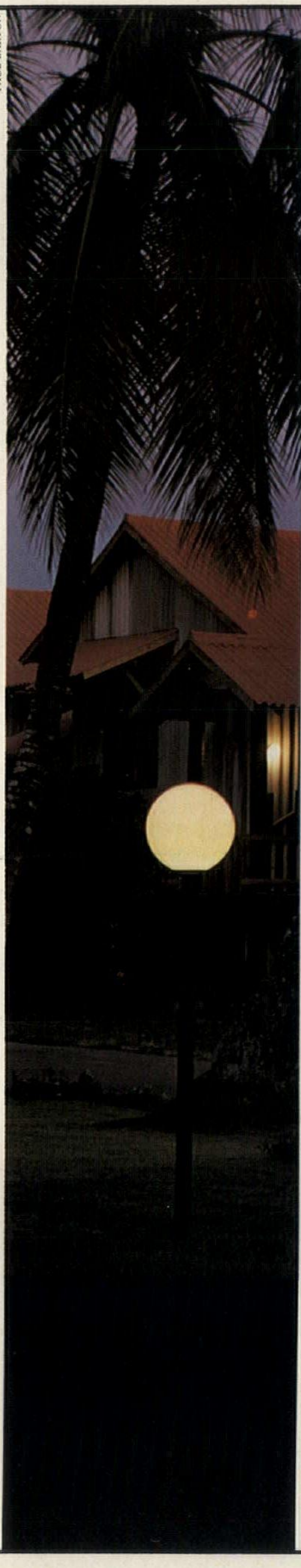
"Coping with a DJIA market"
LEONARD MILLER
President, Lennar Corp.

PHOTOGRAPHY UNLIMITED

"Stimulating buyers a challenge"
MATT M. JETTON
Chairman, Sunstate Builders Inc.

"Bids goodby to out-of-towners"
JACK HOFFMAN
Chairman,
Hoffman-Rosner Corp.

The resort market: surviving despite the crunch



PAUL BARTON

And a rough crunch it has been. In addition to the ills afflicting primary housing—rising construction costs and high interest rates—the resort market has its own special problems. Environmental pressures and the increasing tendency towards governmental regulation have been strongest in resort areas; the energy crisis dealt a crippling blow to automobile travel—the lifeline of resort development—and prospective buyers are still nervous; and above all, inflation has carved huge chunks out of the American discretionary dollar without which resort development cannot exist.

But in spite of all these woes, the resort market is, if not thriving, very definitely surviving. And while the situation is spotty and hard to pin down with any real degree of accuracy, it can be said that by and large the market is holding up just as well as, or even a little better than, the market for primary housing.

There are three basic reasons:

First, the family that buys a resort home has traditionally been in the upper-income brackets. And while this family's discretionary spending power has been trimmed by inflation, it hasn't been destroyed.

Second, inflation may be actually spurring the second-home buyer, on the premise that what he buys today is a lot cheaper than what he might buy tomorrow.

And third, a lot of second-home buyers may be buying resort homes today, but they're thinking about retirement homes tomorrow. So to that degree, they are buying primary as well as resort housing—a much more justifiable investment.

Two other factors seem likely to have a strong effect on the immediate future of the resort market; they are the subjects of the pages that follow.

The first is that combination of design and planning that goes under the label of "environment." Because this is one of the primary appeals of any good resort project, the market as a whole tends to be much more attractive than primary housing. Three examples are shown on the following pages.

The second is a relatively new concept called time-sharing. Still in its infancy, it promises to make resort housing available to a whole range of buyers who otherwise couldn't afford it. A comprehensive report on time-sharing and how it works closes out this section on resort housing.

BILL PRICE

Boca West: a resort for empty nesters

Boca Raton, Fla. is a long-established vacation and retirement area. So it's logical that this 1,400-acre project just outside of town should be designed for both the second-home and retirement markets.

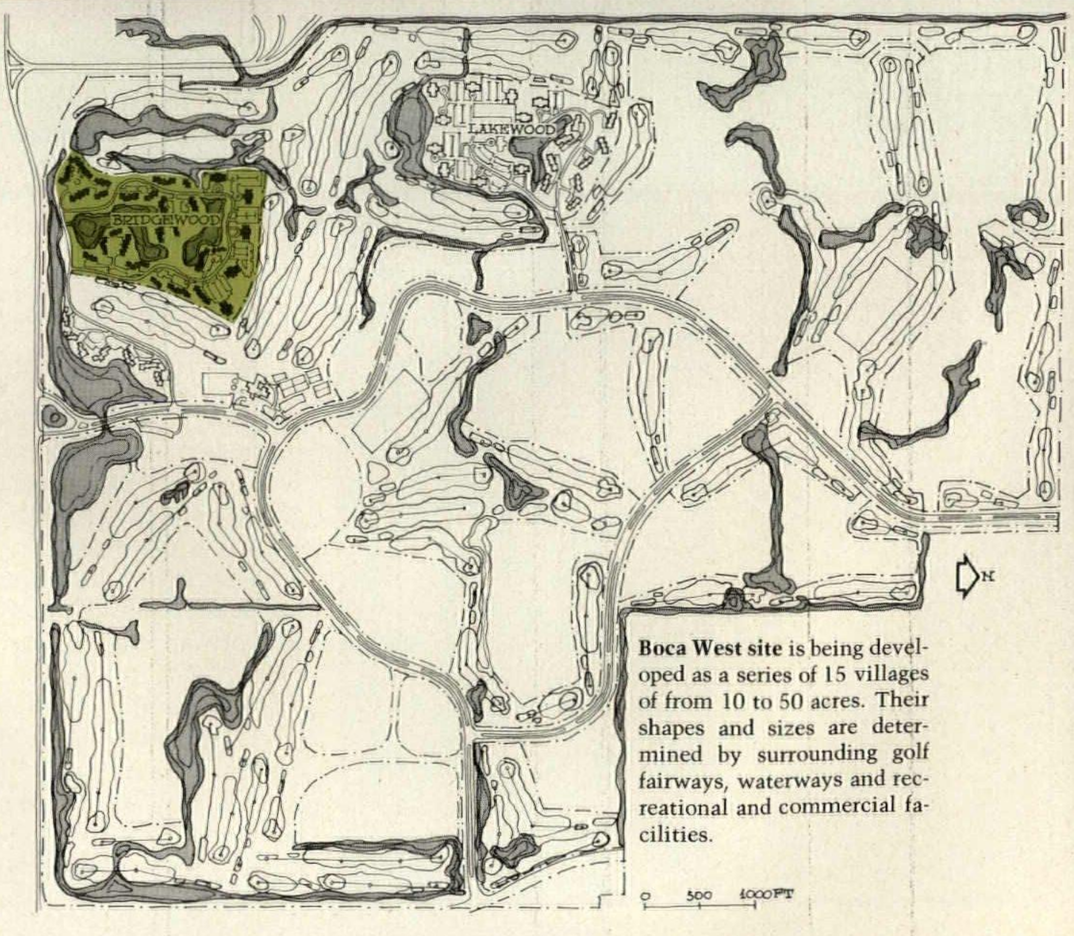
Golf is the primary attraction for both buyer groups. There are now two courses (designed by Desmond Muirhead) in operation, and plans call for two more that are being designed by Von Hagge & Devlin. There are also tennis courts and a country club.

The housing mix is sufficiently varied to satisfy almost any empty-nester. The first village includes townhouses *(right)*, some of which are piggy-backed over garden apartments, single-level villas and midrise apartment buildings (*see overleaf for plans*).

To date, 260 of the first village's 371 units are already sold, and buyer profiles show that both targeted markets are indeed being attracted: the two groups include professional people and executives, most of whom come from New York and Pennsylvania; 60% are second-home buyers.

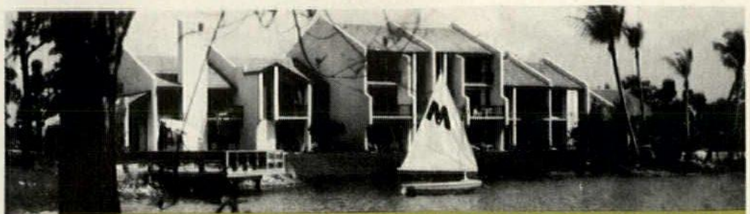
Subsequent villages will also include a broad housing mix. The second village (*see site plan*) will include townhouses and midrise buildings, and plans for a third village call for single-loaded midrise buildings and two-story detached buildings with two 2-bedroom apartments, one each on the lower and upper floors. Patio houses and single-family detached homes also are in the offing.

Boca West's original master plan was by Harland Bartholomew & Assoc., and it is now being updated by Sasaki, Walter & Assoc. Schwab & Twitty are architects for the housing, and Edward D. Stone Jr. & Assoc. is the landscape architect



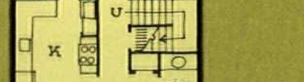
Boca West site is being developed as a series of 15 villages of from 10 to 50 acres. Their shapes and sizes are determined by surrounding golf fairways, waterways and recreational and commercial facilities.

First village, with 36-acres, is nearing completion. Each type of housing is clustered into a mini-village within landscaped areas. Five swimming pools serve the 371 units. There are two parking spaces per unit.



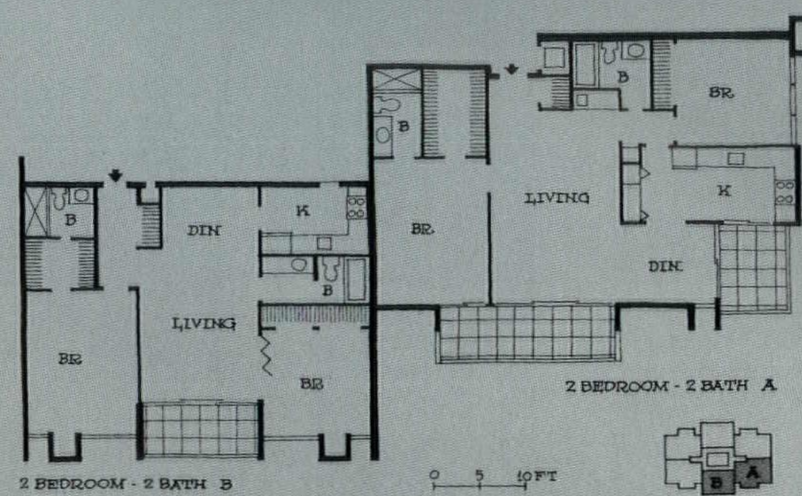
Townhouses: four plans at $46,900 to $68,900

The 161 first-phase townhouses are varied in both setbacks and height to minimize the row-house look. One three-bedroom plan *(top right)* puts all bedrooms on the second floor. A two-bedroom model *(top left)* is piggybacked over a garden apartment *(middle plan)*. A second, three-bedroom layout *(right)* has one secondary bedroom on the lower level, while its upper floor is identical to that in the two-bedroom plan.

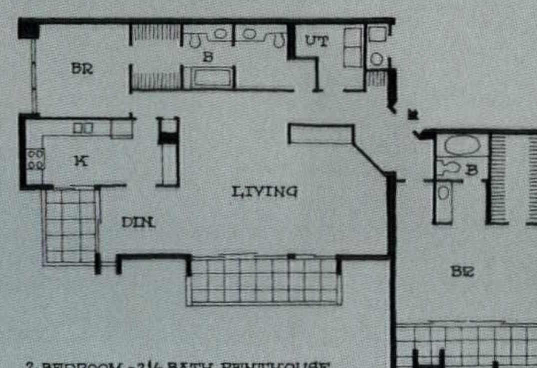


PHOTOS: BILL PRICE

Midrise buildings: three plans at $38,900 to $79,900

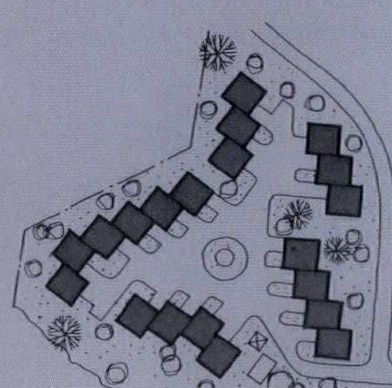


The five midrise buildings in Boca West's first village contain 190 apartments. Typical floors consist of four 2-bedroom units *(above right)* and two convertible two-bedroom units *(above)* selling for $38,900 to $59,000. Penthouse floors contain four $79,900 apartments. The basic plan, right, can be altered to provide three bedrooms; the living-room storage wall is converted into a closet, and the closet wall is extended to the balcony with a solid or movable partition.

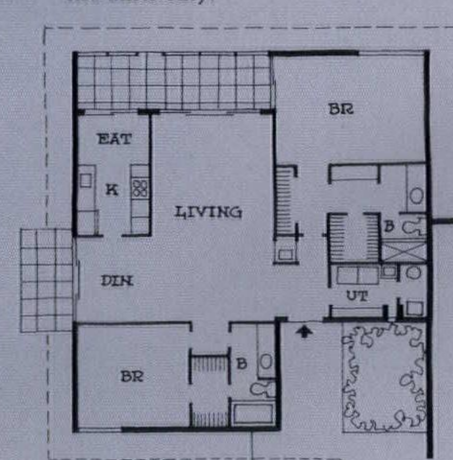


Villas, at $74,900 to $78,900, are clustered around a courtyard

The first village's 20 villas are attached in groups of three to six units, with privacy being created by staggered siting. Living areas are screened from cars by an enclosed atrium in front of each unit. The terrace off dining room is possible in end units only.



A GROUPING OF 20 VILLAS



Amelia Island Plantation: a resort for families

This project's 450 acres cover the southern end of Amelia Island, 35 miles northeast of Jacksonville, Fla. And its natural attractions—towering sand dunes, broad marshlands, dense vegetation and prolific wildlife—have made it a magnet for the family market that prefers this kind of environment to the man-made glitter of better-known resort areas.

There is, of course, a core of recreation facilities above and beyond the natural features: a golf course, tennis club and boating facilities.

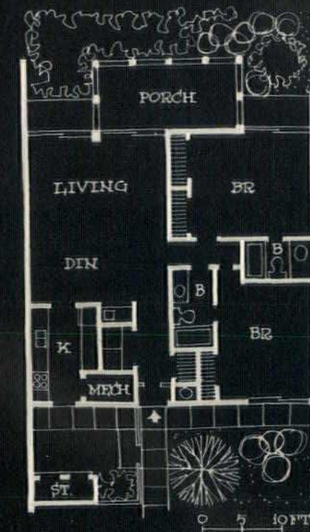
There is also a much wider range of housing types than is found in most resorts: various types of villas, townhouses and midrise apartments, providing one- to four-bedroom units, as well as lots for conventional single-family homes. The housing is laid out in groups that form mini-communities—neighborhoods, actually, of similar house types, hence similar life styles.

So far, Amelia Island Plantation is shaping up as a second-home community for families who occupy their units for vacations, then rent them out to tennis buffs who attend the resort's regularly scheduled tennis camps. But the resort also attracts primary home buyers who work in Jacksonville; children of these families attend school in Fernandina, an Amelia Island city ten miles from the resort. And some of the smaller units are being sold to retirees.

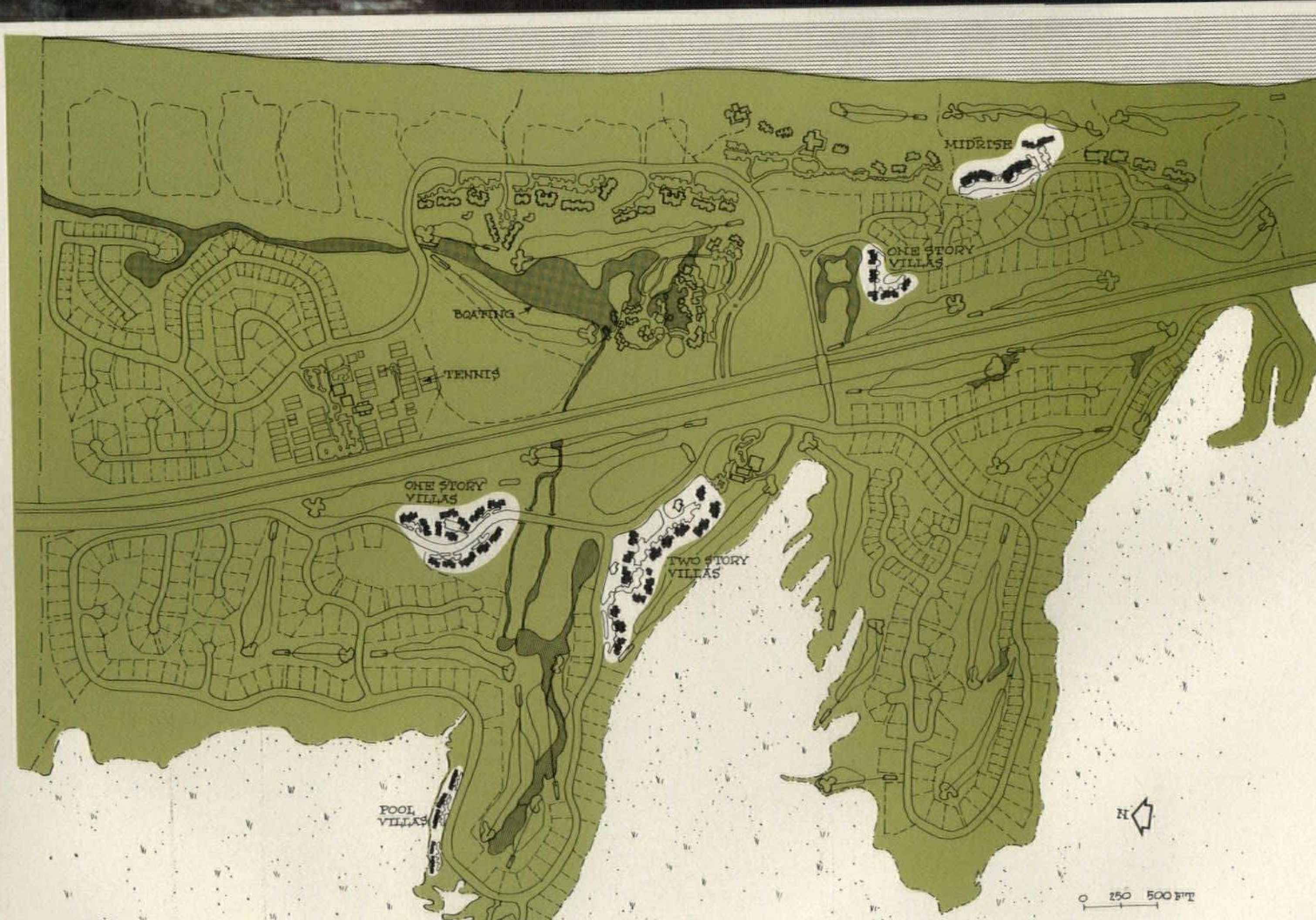
Amelia Island Plantation is being developed by the Sea Pines Co. So far, 511 units are built and 381 sold. The resort was master planned by Wallace, McHarg, Roberts and Todd of Philadelphia; engineering consultants were Bessent, Hammack & Ruckman Inc. of Jacksonville.

KAREN MCDANIEL

Boardwalks, shown in a dense-vegetation area *(left)* and near a beach *(below)*, are an important factor in preserving the island's natural environment. The dunes are held together by sensitive vegetation that could be easily trampled by walkers.

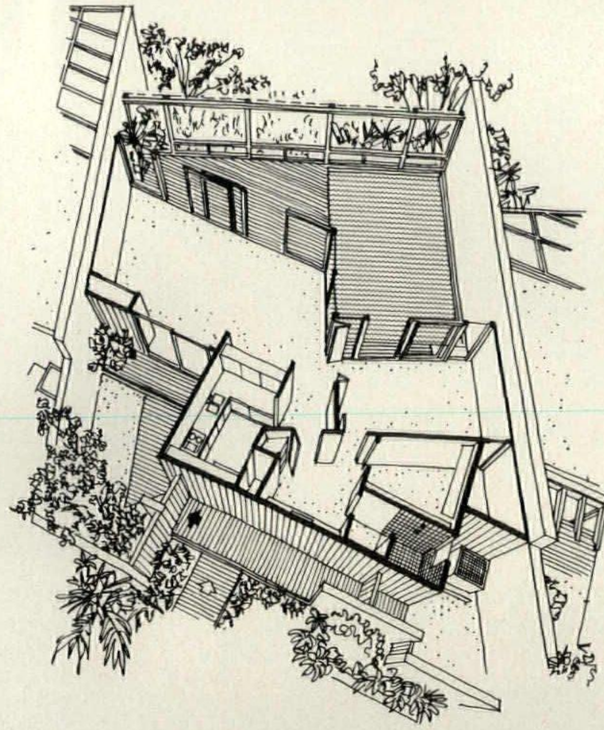


One-story villas, like those at left, were bought up quickly. Seventeen, built on a lagoon, sold for an average of $58,000; 46 more, overlooking the golf course, sold out for an average of $62,500. Site plan, below, shows how various housing types are being located so that ecologically sensitive areas are not disturbed. High land costs dictated building of clustered units, townhouses and midrise buildings rather than single-family detached; but no buildings are higher than surrounding trees. Architect: Collins & Kronstat.

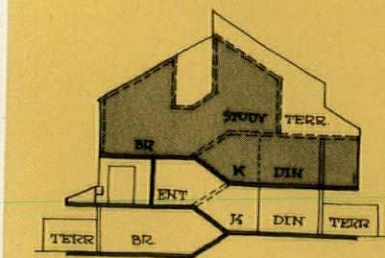


Sold out: 21 pool villas

The one-bedroom villas, each with its own swimming pool and sun deck, were snapped up in two weeks at an average price of $76,500. Isometric drawing shows how each has complete privacy from the outside as well as from adjacent units. The single-level villas are entered from individual boardwalks and enclosed entrance courts. Designer: Ralph Ballantine

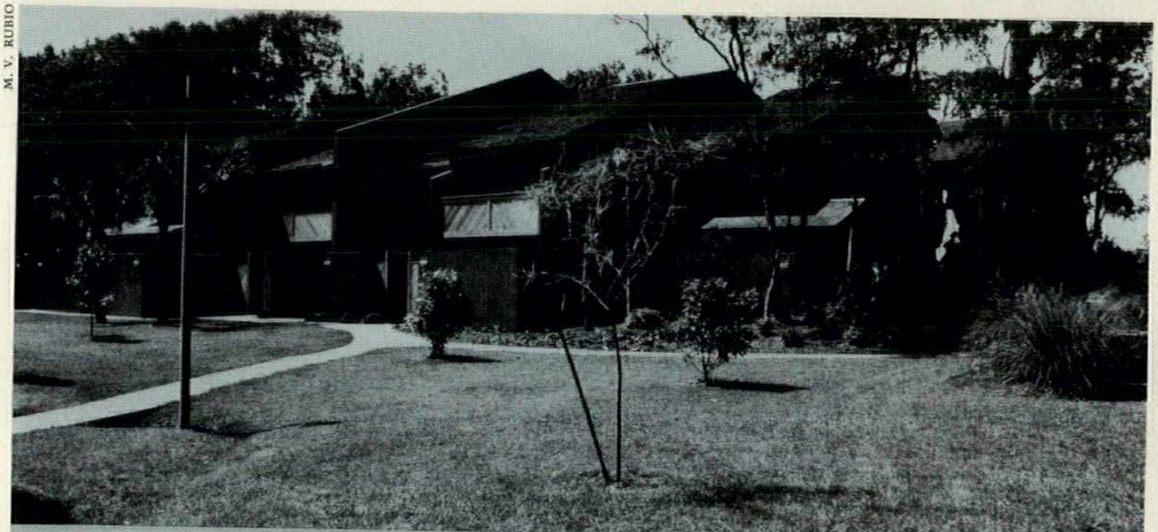


Sold out: midrise building



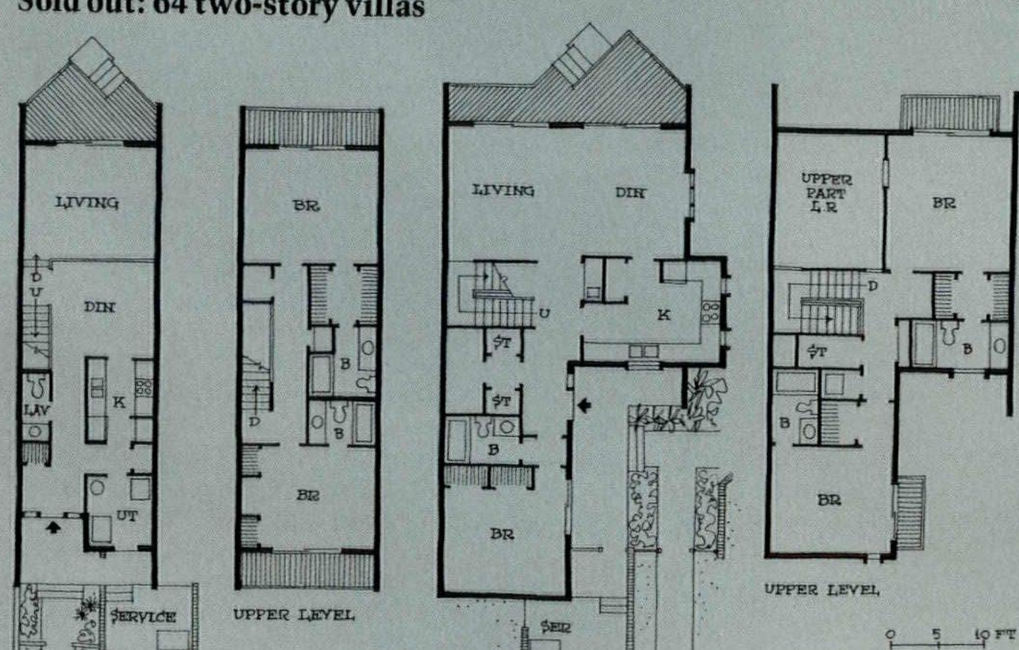
Three- to seven-story buildings, built along the golf course, contain 96 units. At right are two of seven layouts that sold for an average of $77,000. Section above shows how four-story buildings work; seven-story building *(section, far right)*, contains the only single-level midrise plan. Architect: Architects Design Group.

M. V. RUBIO

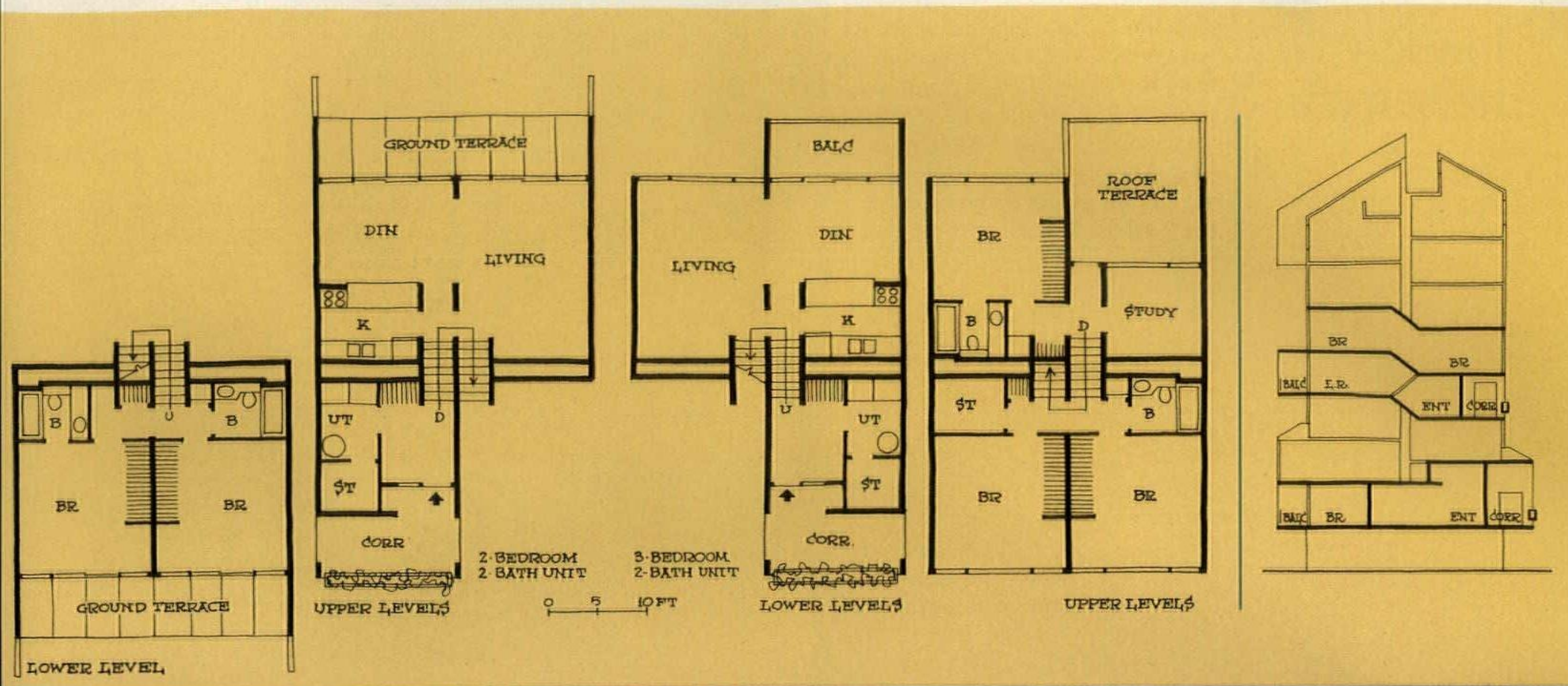


WILLIAM E. CORNELIA

Sold out: 64 two-story villas



These units are in an enclave overlooking the golf course. Shown are a two-bedroom plan *(left)* and a three-bedroom unit with a two-story living room *(right)*. A third plan, similar to the three-bedroom villa, has no first-floor bedroom. Average price: $66,000. Architect: McGinty & Dye.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Costasur: a resort for low-key jet setters

This is the first phase of a resort complex in what may become one of the hottest new vacation-housing areas in the Caribbean—the Dominican Republic. Costasur's 3,000-acre site is near La Romana, a city on the southeastern coast. The area has only recently been opened up for development and is too far from the capital, Santo Domingo, to offer the nightlife of typical Caribbean resorts. Instead, the resort is attracting a market that prefers a casual, relaxed vacation atmosphere.

The resort's focal point is the highly-publicized Cajuiles golf course, which because of its challenging design (by Pete Dye) is known locally as "teeth of the dog"; a second course will be built soon. There are also six tennis courts and a riding stable. Now under construction is a large tennis club, which will offer teaching clinics.

To introduce prospects to the resort, the developer—Gulf & Western Americas Corp.—first built a group of two-story villas *(photo, bottom right)*, which is operated as a hotel; it includes 70 rooms and another 50 are planned. Facilities for these villas are in the resort's club complex, a series of loosely connected closed and open areas *(see overleaf)* with a dining room, small discotheque, bar, saunas and a pool.

Hotel guests have snapped up the resort's first for-sale housing—22 golf-course townhouses *(photo, top right)* that sold for \$45,000 to \$60,000 on a 99-year-leasehold basis. Ten more are planned.

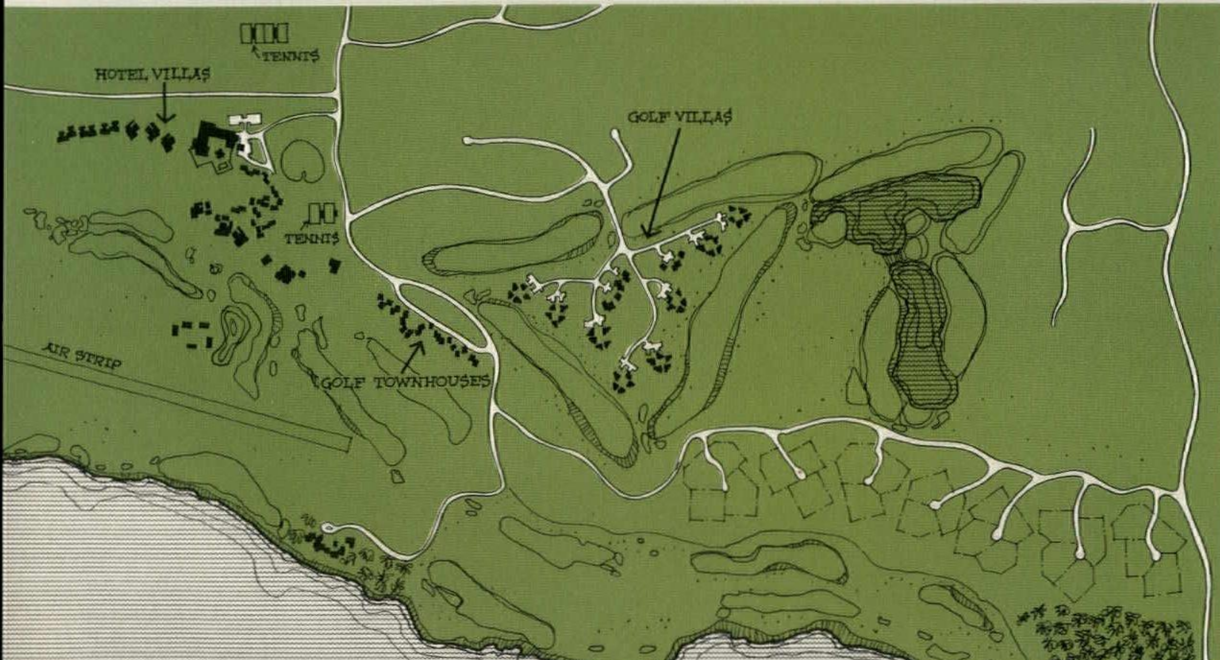
Currently under construction is a group of one-level villas *(see overleaf for all plans)*, which will sell at roughly the same price. Future plans call for more villas and single-family detached homes.

Gulf & Western began its resort development in La Romana by remodeling the old Romana hotel; the *casitas (p. 59 and on the cover)* are part of that hotel complex. They were designed by William Cox, the architect and planner for Costasur.

PHOTOS: PAUL BARTON

Hotel villas *(right)* contain 50 rooms, each with a private balcony. They provide distant views of the golf course fairway.

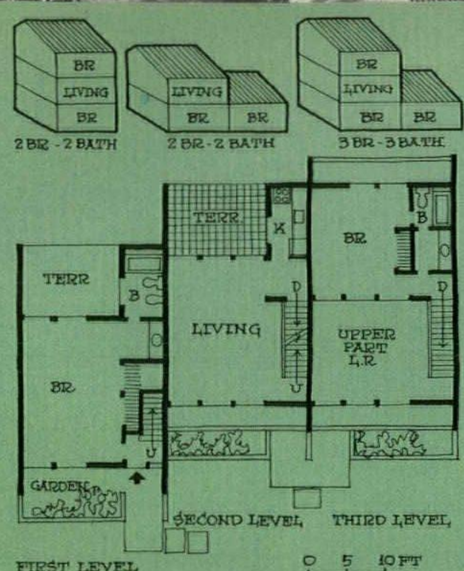
Two- and three-story townhouses *(above)* offer a choice of two- or three-bedroom plans in several arrangements *(see overleaf)*.



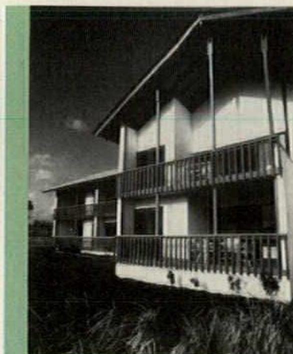
Site plan shows portion of Costasur presently under development. Hotel villas are at top left and townhouses, center, left. One-story villas, presently under construction, are to the right of the townhouses. Lot areas shown at bottom right are location for future single-family homes. The resort is served by a private airstrip *(bottom of plan)*.

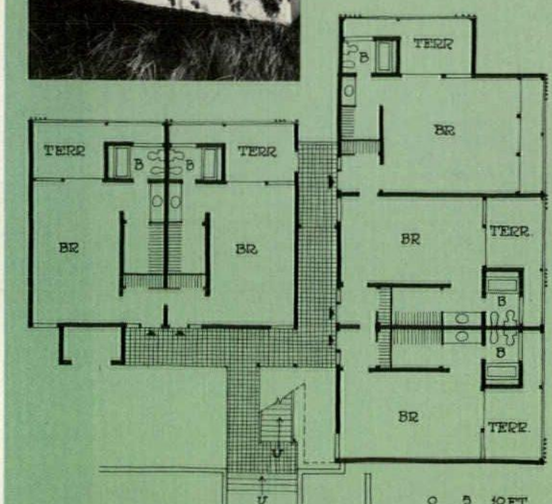
TO NEXT PAGE

The housing: a choice of townhouses or villas, plus convertible hotel rooms



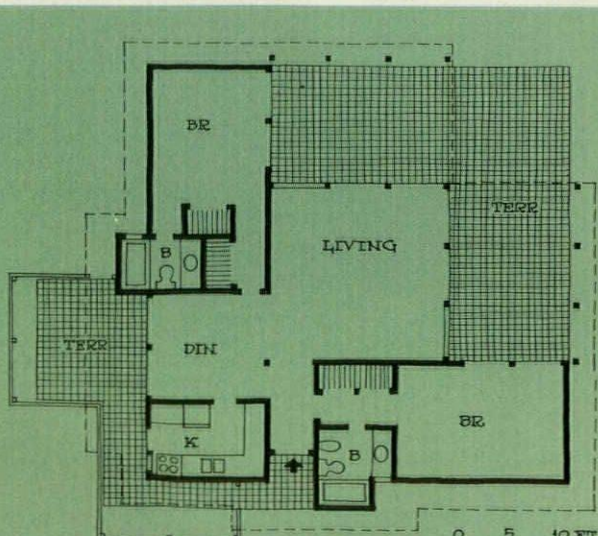
Two- and three-story townhouses, some with single-level bedroom wings, are clustered along the golf course. Rear windows and balconies of these units overlook a small neighborhood swimming pool *(photo above and previous overleaf).* Drawing above shows available bedroom arrangements. Floor plans are typical layouts for three-story, two-bedroom model.





Guest rooms *(plans, above)* are located in two-story hotel villas, which were the first housing built at the resort. The rooms offer distant views of the golf course. Presently, there are 70 rooms, and 50 more are planned. The developer expects to eventually sell a third of the rooms, thus their bars are designed so they can be converted into kitchenettes.

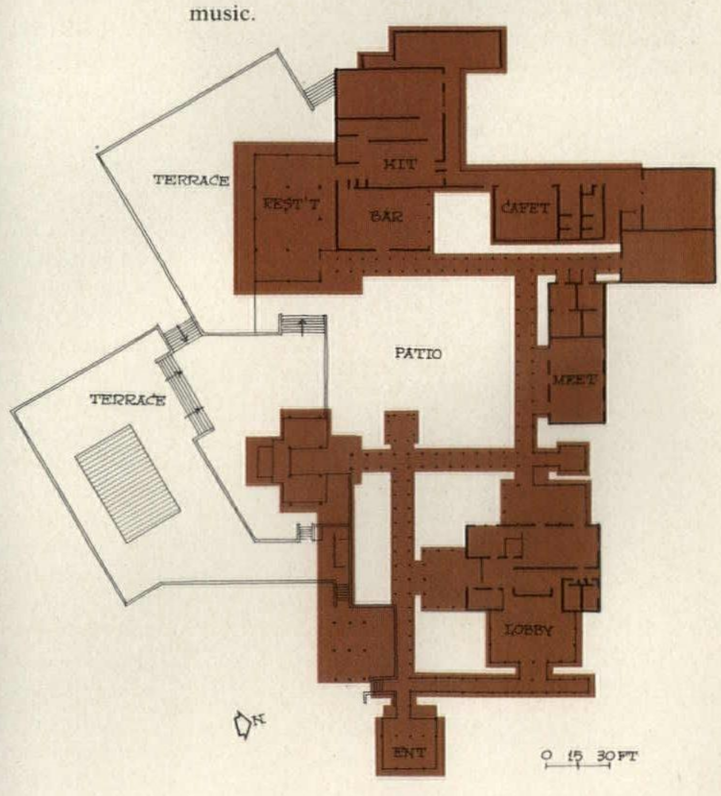
PHOTOS: PAUL BARTON



One-level villas *(plan, left)* are currently under construction. There will be several clusters with a total of 50 villas, and an alternate plan with three bedrooms will be offered. As yet, the developer has not determined how many units will be built at the resort; but estimates are that there will be three to four acres of undeveloped land for every acre that is developed.

The club: a dining room, bar, discotheque, saunas and a pool in an open-air setting

Entrance to club *(rear in photo left)* leads to sheltered walkway that connects the varied facilities *(plan, below)*. Photo above shows the thatched-roof bar which overlooks the main swimming pool. Discotheque *(not shown)* offers dancing with live music.



TIME-SHARING

The term is borrowed from the computer industry. Under time-sharing, the developer sells a number of different buyers the right to use the same unit, generally for one- or two-week periods. The buyers have no more responsibility than if they were renting, except that they have some form of long-term commitment, either lease or ownership.

Because the expense of owning and operating a second home is split among various users, the price of each can be as low as $1,000 or $2,000, putting second homes within the reach of a much broader market than in the past.

Today there are only a dozen or so time-sharing projects, totaling around 1,800 units, in U.S. destination resorts. Most were started just in the last year or so, so it's hard to judge how well they are doing.

But tomorrow is much more promising. The time-sharing concept makes economic sense, and it's in tune with the spirit of the times. In one form or another it's going to be with us for a long while. So it's important to know precisely what it is, how it works, and what its problems and possibilities are.

Time-sharing takes two basic forms, but variations are infinite

With one form developers sell vacations; with the other they sell real property.

The first entails licenses or leases that entitle the buyer to accommodations in one or more resorts for a fixed number of years. The second entails some form of ownership in a second home or apartment.

The lease type of time-sharing is generally quite inexpensive. One developer, for example, sold 40-year leases on studios at a Hawaiian resort for only $1,500. Lease buyers generally must also pay some sort of fee or share of operating expenses.

Time-sharing ownership, on the other hand, may cost as little as $500 for a single bedroom at a ski resort in the off season, or as much as $40,000—or even more. Price is determined by the type of resort, the size and type of accommodation, the length of time it is to be used, and the season.

The aggregate cost of a time-sharing unit is generally about twice what the same unit would cost if it were sold to a single buyer. Much of this difference is eaten up by higher marketing costs.

To the developer, a big appeal of time-sharing is that it can be structured to accomplish just about anything. Resorts, for example, can use it to generate off-season traffic. Snowbird, a Utah ski resort, for example, sells summer shares for about a third the winter price. Local Salt Lake City residents buy them for weekends and vacations, and the Snowbird shops and restaurants can remain open year round.

Other resorts try to combine on- and off-season periods into one time-share. In Colorado, Steamboat Springs has structured its time-shares into five 45-day intervals, three in the winter and two in the summer. The five buyers own the between-season weeks jointly, and each may take one week in the spring and two in the fall on a first-come, first-served basis.

Snowbird had originally required purchasers to take two weeks in the ski season and two in the summer. It changed its tack, however, when it found that the winter and summer markets did not overlap, and that, in addition, many winter buyers did not want two contiguous weeks. Sales picked up when it offered one-week time segments (except for Christmas when two are required) with substantial price differentials for winter and summer.

Many lease-type, time-sharing programs offer buyers a great deal of flexibility: they may elect to take their vacation at a different time each year, they may save vacation rights from one year to the next, and they may even be able to choose among several related resorts.

Much of this is also possible, although more cumbersome to achieve, under ownership time-sharing programs. Buyers can rent out their units and use the proceeds to go elsewhere. They can also trade units with someone in another resort through one of the various condominium exchange services that have sprung up over the past few years.

One big advantage to time-sharing, according to Alan Chesler, president of the International Resort Membership Club, which operates resorts in Boca Raton, Fla. and the Bahamas, is that it eliminates the need for resorts to go after convention business.

"Without time-sharing you can't seem to make it anymore unless you can get conventions," says Chesler. "But when a convention takes over, the ordinary guest becomes a second-class citizen."

All ownership, and some lease-type, time-sharing programs give buyers the advantages of possible rental income and capital gains from resale. Ownership programs also provide the usual tax deductions on interest and property taxes.

But by far the biggest advantage of time-sharing is that it allows people to buy only what they will use. A wealthy family may buy into two or three different type resorts. A family that cannot afford an entire second home can often afford a portion of one. For such a family, time-sharing is a lot less risky than buying a unit and hoping to recoup enough money from the rental pool to cover the mortgage payments.

Developers, who have seen their market shrink as costs have risen, look to time-sharing as a new source of buyers. Resort owners see it as a way to achieve some of the advantages of a rental pool and still avoid SEC registration (*see below*).

Some developers see time-sharing as a way to rescue a faltering project. But that's a mistake, says mortgage banker Thomas Daugherty, vice president of Cameron-Brown in Charlotte, N.C. "A unit that is not appealing enough to sell once to one buyer is unlikely to be appealing enough to sell 26 or 52 times to one- or two-week time-share prospects."

BEST HOPE FOR A BROADER RESORT MARKET

There's no set formula for setting up time-sharing

For one thing, the SEC position is currently up in the air. Also, what may be possible under the laws of one state may not be possible under the laws of another. And the lawyers can't seem to agree on some of the basic concepts, such as what constitutes a security, an interest in real estate, or a lease. They also question whether some time-sharing documents might expose buyers to potential tax liens or partition of the property. And of course time-sharing hasn't been around long enough for the courts to clarify these issues.

For a while the SEC issued no-action letters on time-sharing programs. It has now stopped doing so.

"We're not saying that a security is involved," says William Morley, attorney adviser in the chief counsel's office of the Division of Corporate Finance. "We just feel that the area is in the development stage, and the Commission at this point does not want the Division to express any opinion as to whether or not a security is involved.

"People who are starting out now have to proceed at their own risk. If their counsel feels that the issue in their particular fact situation is clear enough so that they are willing to issue their opinion that no security is involved, they can proceed without registration. If they don't want to take a chance, they will register."

Certain states, such as California, Michigan and Ohio, do consider some time-sharing plans—Caribbean International's, for example—as securities. Caribbean International Corp. of Miami, Fla. offers one-week annual vacation licenses for specified accommodations and specified times for a term of not less than 40 or more than 60 years, after which all rights revert to the developer. Buyers may not sub-lease or resell licenses at a profit. The company retains ownership of the resort and all of its facilities and sells only the right to use them. Units that are not occupied by license holders are rented out as regular hotel space.

"I see no problem of any time-sharing plan qualifying as a security so long as it is not sold and does not, in fact, have any investment angle to it," says Philip Murphy, Caribbean International's general counsel.

Still, some lawyers believe license operations, such as Caribbean International's, risk being considered as securities because the purchasers benefit indirectly, in the form of lower prices, from the rentals to non-license-holders.

Murphy disagrees. "That doesn't get into the securities area because we alone are taking all the risks of whether or not we are able to rent."

Another question arises over whether a court might construe the vacation license as a lease and thus subject to landlord-tenant regulations. Such an interpretation would also mean that it could be sold only by licensed real estate salesmen.

The questions that arise over ownership-type time-sharing plans are more subtle.

Such plans fall into two general categories: 1) tenancy in common with the other purchasers of a particular unit, with the actual times and conditions of use set forth in a separate convenant; or 2) so-called estates-for-years revolving successively among the various owners, plus a vested remainder interest.

Under type one, which was developed by the Innisfree Corp. of Burlingame, Calif. for its Brockway Springs resort in North Lake Tahoe [H&H, Dec. '72] and has since been widely copied, each tenant in common owns concurrently an undivided interest in the whole property. This means that, theoretically, a co-owner could go to a judge and say, "I want out," and the judge could order the property to be sold and the proceeds divided among the owners.

Innisfree solved this problem by requiring buyers to covenant among themselves for a waiver of partition. To make such a waiver binding on subsequent resales the company had to request the California legislature to amend the civil code to allow covenants running with the land. Such an amendment would be necessary in a number of states.

Another potential problem with the Innisfree form of ownership is that a tax lien against one of the owners would expose the others to the danger of the IRS seizing the whole property and selling it.

"I think that as a practical matter the IRS would be unlikly to do that, and also that a court would be reluctant to order such a sale," says Innisfree's attorney, Robert E. Merritt Jr. of Steinhart, Goldberg, Feigenbaum & Ladar of San Francisco. "Most of the cases cited deal with joint tenancy between husband and wife. However we do have to disclose that such a legal problem exists, although we think that it is more theoretical than real."

The second time-sharing formula, successive estates-for-years revolving among the various owners plus a vested remainder interest, was devised by the principals of Property Planning Consultants, of Coconut Grove, Fla. for Bird Rock Falls, a North Carolina resort that never got off the ground. The concept, known as interval ownership, has since been used by other resorts.

Under interval ownership, the title and the right to occupancy coexist and are created simultaneously by the same deed. All of the interval owners own the fee together, but they are not tenants in common as in the Innisfree formula. Each owns his estate-for-years, and these estates succeed each other for a period of 99 years. Then all unit owners become tenants in common according to stipulated percentage interests.

Thus, while the estate-for-years expires at a fixed time (as it must), ownership is potentially infinite as in fee-simple title.

This formula avoids the partition and tax problems of the Innisfree plan, but it raises other questions. An estate-for-years can be construed as a lease. Does this mean that for the first 99 years interval ownership is not actually ownership interest? Is it then subject to landlord-tenant regulations? Or does the remainder interest, when unit owners become tenants in common, change the character of the whole thing?

Most of the uncertainty about the various systems of time-sharing would be eliminated if the states passed statutes validating one form or another. Only one state, Hawaii, has attempted to do so; earlier this year, its legislature amended the condominium law to cover the sale of time-sharing interests. But the acting governor vetoed the bill.

The lender has mixed emotions about the time-sharing concept

Chances are he likes it. He sees it as the wave of the future, a chance to generate important new business.

But then he thinks about the potential problems and says, "I'll pass."

Today, of course, the chances of obtaining financing for such a new concept are practically nil. But even in normal times, most lenders would be wary of time-sharing.

"At this point there's no way a developer can prove to the lender that buyers will pay $5,000 for two-week time-segments," says Thomas Daugherty. "So the developer has to minimize the lender's fears by doing everything possible to protect the project's convertibility back into some sort of non-time-sharing condominium."

TIME-SHARING

The first thing Daugherty mentions is location: It should be good for both time-sharing and for an alternate use. If the project lends itself to phasing, the developer stands a better chance of getting financing because the lender risks a relatively small amount to see if the project will prove successful. The lender may ask that a certain percentage of each building be sold before the developer goes on to the next one. He may also ask for a presale requirement before an individual unit is absolutely committed to time-sharing.

Then comes the problem of determining the amount of the construction loan. The lender's security is a project that looks like a townhouse or apartment project, and if it ends up back in his hands that's all it's worth to him. He doesn't want to go into the time-sharing business. So he evaluates the loan giving a great deal of weight to what he knows—townhouses or apartments.

To illustrate using simple numbers: Suppose a lender typically makes loans of 75% of value. He is looking at a 10-unit time-sharing project that will have a $200,000 sellout. But he knows that on a conventional basis sellout would be only $100,000. There's no way he's going to loan $150,000, for that would be 150% of what is in essence his security. He's more likely to loan $75,000 based on value he understands.

The lender is also likely to ask for high release penalties on time-sharing developments. "Part of the lender's security is the continued interest of the developer in the development," says Daugherty. "If the loan has been completely paid off and, say, the last 20% is all the developer's money, the developer is likely to stay more active and interested in a successful sellout."

But Daugherty warns developers to think twice before agreeing to a tough release penalty. "It can stop your marketing program even when the project is successful," he says. "The lender is taking a position basically that your profit should come after he gets paid back, which is reasonable. But you need enough cash flow to cover your operating expenses."

The lender is also concerned about the legal structure of the time-sharing program. Where the purchaser gets a fee interest in the time-share, the lender has to release it from his security. In lease-type programs, he retains his fee—his collateral, so to speak—until the loan is paid. So in a sense that type of project is more interesting to him.

Because the devloper of a lease-type time-sharing resort can obtain permanent financing, just as in an ordinary hotel or apartment project, he can sell time-share interests for less than ownership-type interests would cost. There is a question, however, of how much protection the buyer would have if the mortgage were foreclosed.

In the case of Caribbean International, the lender, First Mortgage Investors, agreed that in case of foreclosure it would not disturb the rights of any people who had bought time-sharing licenses, in effect making the mortgage subject to those rights.

Says Caribbean International's general counsel, Philip Murphy: "Most lenders wouldn't even consider something like that, particularly when you consider the fact that they're lending on intangibles."

One such intangible, in the case of Caribbean International: When the original financing was arranged in the free-and-easy money markets of 1972, the lender saw enough room under its conventional lending ratios to commit the money the company needed to conduct its sales program.

Generally a lender does not want to take any risks on a project if the developer cannot offer the potential purchaser attractive financing. This can raise problems. For example, savings and loan associations and other mortgage sources are permitted to lend only on time-sharing interests that constitute an interest in real estate. Lease-type programs are generally financed through commercial paper.

Another problem: Under California law, all real property loans made by S&Ls must be supported by an appraisal. Appraisers base their appraisals on the whole unit price of comparable properties—which, of course, falls far short of the time-sharing price.

When Innisfree was faced with this problem at Brockway Springs, it negotiated two commitments for each time-share interest, one with the AVCO S&L and another with an AVCO service corporation. The combination of these two commitments made it possible for Innisfree to offer its buyers terms of 25% down, with the remainder to be paid over 10 years at 10% interest.

And yet another problem: Banks are unlikely to regard the time-share interest as sufficient collateral for mortgages and will thus look to the developer for a deposit or some sort of obligation that will cover them in case of default.

There is a bright side, however. Most developers report that a substantial portion of sales—up to 75%—is made for cash.

Buyers and lenders are both concerned about who will operate the resort

One of the most frequent questions prospects ask, according to Attorney Thomas J. Davis Jr. of Property Planning Consultants is: "What happens if the person before me wrecked the place?"

Lenders, too, want to be sure the project is well run, at least as long as they are involved. After all, a disillusioned buyer is likely to stop making payments and simply walk away from his unit, and the last thing a lender wants is to become the owner of a time-sharing interest.

So companies have devised elaborate maintenance programs and set aside reserves for major repairs and furniture replacement. And they have written all of these things into their documents to assure buyers that once the developer is no longer involved, the project will not begin to slide downhill.

Innisfree, for example, sells only 11 months of the year at its Brockway Springs resort, using the twelfth month for two weeks of major maintenance in the spring and two in the fall. It also provides a day between each period of occupancy for cleaning the unit thoroughly. And even though it is just taking a first tentative step into time-sharing, Marett Associates has set aside a home for a permanent resident manager.

The problem does not arise in hotel-type time-sharing programs, such as Snowbird's or Caribbean International's, because the developer would remain involved anyway. He is essentially developing a resort and using time-sharing as a way of achieving occupancy.

But in a single-family or townhouse type of development, the developer must decide if he wants to remain involved. If he is small, he will probably give the job to a professional management company. If he is large, he probably has the management capability himself and is counting on the management fee as an additional source of revenue from the project.

In this type of development, responsibility for operating the resort is generally vested in a homeowners' association or a club, with the individual time-sharing owners making their wishes heard either through proxies, through electing one owner from each unit to represent the interests of that unit, or through attending association meetings and casting a fractional vote.

The association or club usually has lien powers so that a destructive owner who did not pay for repairs could be prevented from using his unit, or could even lose it through foreclosure.

It is a good idea to involve the management people in the planning of a resort right from the start. They have the day-to-day experience to foresee all sorts of problems a developer might not be aware of. For example, by looking at tennis court surfaces from a maintenance point of view, they could avoid the ones requiring daily upkeep in resorts that will not have the manpower to handle it.

Credibility is a problem in marketing time-sharing

"The biggest hurdle we have to overcome with a prospect is that the program seems too good to be true," says V.R. Halter, marketing vice president of Marett Associates of Atlanta, which is developing Southbay in Destin, Fla.

Attorney Davis agrees: "One of the things that needs to be done is to mount some sort of national campaign that will help our credibility."

Indeed, time-sharing is today at the stage where condominiums were a few years ago. Developers are having to educate their prospects before they can start selling them. And, as with condominiums, there is a problem of finding sophisticated salesmen who can explain the offerings accurately.

Some of the larger developers rely on many of the hard-sell techniques that used to be reserved for land-sales pitches. Their marketing costs may run as high as 40% of sales if they bring prospects to the site. On-site sales run between 15% and 25% of sales.

Others, such as Hawaii Kailani, rely on word of mouth. And many, such as Snowbird, find that most of their sales are made to people who came to the resort as renters. Invariably, developers find that sales are made in the season in which they will be used: People who come to Florida in the summer want to return in the summer, and people who visit the Caribbean in season want to return in season.

One Florida resort, Southbay, is looking to Canada for much of its market, partly because the area has traditionally been a destination for Canadians and partly because Canadians would be less concerned than Americans about the reduced tax advantages of owning an interval rather than a whole condominium.

In today's uncertain market it is hard to tell whether time-sharing programs are actually generating any new business. It is likely that their attractiveness to a broader market is canceled out by people's reluctance to try anything new and by the rising costs of essentials such as food and shelter.

However, at least one developer, Caribbean International, believes that fears about inflation are a plus factor in marketing time-sharing programs. Says General Counsel Philip Murphy:"Sales have been awfully good for us, and we believe that one reason is that people realize that without a plan like ours, in the future they may not be able to afford the vacation they can afford today."

—Natalie Gerardi

HERE'S HOW TIME-SHARING WORKS IN SIX RESORTS

Innisfree Corp. of Burlingame, Calif., a subsidiary of the Hyatt Corp., is developing Brockway Springs in North Lake Tahoe, Calif. and the Hanalei Beach and Racquet Club in Princeville, Kaui, Hawaii.

At Brockway Springs, which was one of the earliest U.S. time-sharing offerings, the company set aside some 10 units out of a 78-unit condominium development to test time-sharing. Marketing began late in 1972, and the time-sharing interests are just about sold out. Prices ranged from $4,000 to $26,000 for one-month interests in units that would have cost between $39,900 and $140,000 if they had been sold conventionally.. Interestingly, there has been no tension between single-unit and time-share owners.

The Hanalei Beach and Raquet Club, which will start sales early in 1975, will consist of 134 time-share condominium units. Prices have not yet been determined.

Under the Innisfree system, buyers own both land and unit in common. A separate declaration gives each buyer exclusive use during a certain time-segment. This declaration will be in force for 60 years, after which the group of owners can elect to continue or to partition.

At Brockway Springs, the company sells just 11 months of the year, setting aside two weeks in the spring and two in the fall for major maintenance. At Hanalei Beach, the company will sell the entire year in weekly time-segments, operating the development as a resort hotel.

According to Paul Gray, director of The Innisfree Consultants, which was established to help other developers set up time-sharing programs, "no one type of person is attracted to the Brockway Springs time-sharing units. The buyers include younger people in their early thirties whose parents could afford to buy a whole unit and thus are accustomed to the lifestyle; a middle-aged group that is looking for the practicality of buying just what it uses; and older people with plenty of free time who enjoy the full use of a first-class resort at off-season bargain prices."

Caribbean International Corp. of Miami, Fla. is one of the oldest, and certainly the largest, of U.S. time-sharing operations. Since March, 1972 it has sold some 9,000 licenses, mostly at the 238-unit Caribbean Beach Club in San Juan, Puerto Rico.

A few hundred licenses were also sold at the 126-unit Caribbean Reef Club in St. Croix, which opened early in 1973, but the company does not promote this resort. Caribbean International is now selling licenses for the 210-unit Lauderdale Beach Club in Ft. Lauderdale, Fla., which opened on November 1, and the 214-unit Caribbean Harbour Club on St. Thomas, which will open early in 1975.

The company sells one-week licenses, good for 40 to 60 years (the useful life of the resort). These permit buyers to use specific apartments at specific times. Prices range from $2,500 for a studio to $6,000 for a deluxe penthouse. There is a premium for winter occupancy and a daily charge (currently $5.95 a day in Puerto Rico) for maintenance.

Buyers who do not wish to use their week may exchange it for other available weeks or save it for the following year. Unused units are rented as regular hotel rooms.

The company finances the licenses at terms that may be as low as 10% down with 48 months to pay. Interest rates range from 6½% for a person who makes a 25% down payment to 8% for one who puts down 10%.

Caribbean International also offers a club membership for $25 a year that entitles buyers to substantial discounts on purchases in the resort area—ground packages, luggage transfers, etc.—and, through a wholly owned travel agency, group rates on airlines wherever they may apply. Club membership also gives buyers the right to switch their vacations from one resort to another.

"Our program applies to just about everybody," says Norman Tucker, vice president-sales, "the young person who wants to insure future vacations, and the average middle-class family that has some extra spending money because all the children have finished school. Many of our people have never traveled before. The person who wants to buy an entire condominium is not really our type of customer."

Marketing costs are high, as marketing is handled much as land sales would be. The company runs promotional programs at its various sites and also has promotions at shows and fairs to bring people to the site.

Caribbean International suspended sales when its loan came up for renewal last July because of a disagreement with the lender. This was resolved when the principals sold out to a new group, and sales were resumed

TIME-SHARING

after about two months. According to Murphy, they quickly reached the level where they had left off.

Hawaii Kailani, based in Bellingham, Wash., has been selling vacation leases since 1969. Over 4,000 leases have been sold in the company's 157 units at four projects on Kauai and Maui. Prices range from $1,950 for a studio to $2,450 for a two-bedroom unit. Buyers also pay a pro-rata share of operating costs—typically about $50 a year.

The Hawaii Kailani set-up is very simple. The company has built what are essentially four apartment houses, each with an amenity package. Two of the buildings have all two-bedroom units, the other two are all studios, and all of the apartments of each type are identical. The buyer buys a lease for a specific building and in essence prepays his rent for the next 40 years. Terms are $200 down with the balance over four-and-a-half years at 9½% interest.

When a buyer wants to use his unit, he simply makes a reservation, which the company accepts up to a year in advance. The company does not rent out unused units, although buyers may sublet. If a buyer wants to use a unit in a different location, the company tries to accommodate him. Eventually, it hopes to build units on all of the islands.

A buyer has three choices if he wants to dispose of his lease. He can simply ask for his money back at any time and the company will refund the purchase price, he can sell the lease himself and pay the company $50 to redraw the lease; or he can ask the company to sell it and pay the usual commission.

No one has asked for his money back, however, because the leases have appreciated in value since 1969.

"Most of the larger time-sharing operations budget as much as 25% of their market value in commissions," says a Hawaii Kailani executive. "I feel that one of the big reasons for the success of the project is that this money doesn't go into hard sell but into the pocket of my lessees."

The buyers, most of whom come from the Northwest, make up a cross-section of the population, ranging from bank presidents (there are 16 of them) to tradesmen.

The International Resort Membership Club, a subsidiary of RRD Limited of Boca Raton, Fla, which is developing a 200-unit resort in the Bahamas and a 128-unit resort in Boca Raton, offers a variation of the time-sharing idea. Members receive coupons that entitle them to ten days a year of free accommodations—with free use of the amenities, which include golf courses and tennis courts—for 20 years. Ten-year memberships are also available at 75% of the cost of 20-year memberships.

There are four classes of membership: $3,500 for a studio or one-bedroom apartment, and $5,000, for a one-bedroom suite or two-bedroom apartment in the off-season; $5,500 for the smaller, and $7,500 for the larger apartment with no seasonal restriction. Occupancy is on a first-come, first-served basis, and members may make reservations up to a year in advance. The club will not sell more than 30 memberships per unit, an 80% occupancy rate.

Memberships may not be sold at a profit and any transfer is subject to approval by the Club's management.

"Club membership is not an investment or a business proposition," says Alan Chesler, president of RRD. "It is a consumer product."

Coupons may be accumulated from year to year and used at either of the club's present resorts or any that are developed in the future. Plans call for expanding into a ski area.

Chesler chose the club form of time-sharing because he believes that it is hard to make the ownership form work smoothly. "People can't really vacation the same two weeks every year," he says. "And you can't guarantee them the same units each year because the previous person may overstay. For example, what happens if he misses his plane?"

Club members range from 30 years old to 55 or 60 and have incomes of $15,000 to $30,000 a year. "Above that people are interested in owning something more permanent; below that they can't afford the travel or membership expense," says Chesler.

The Club promotes its plan with typical land-sales type pitches: promotional dinners, luncheons and breakfasts at the two resorts, mailings and giveaways.

In the first six months of sales the club, which is registered in Florida, sold some 600 memberships—a phenomenal one out of every five prospects.

For more information about time-sharing . . .

Property Planning Consultants is planning a seminar in Atlanta and possibly another one in the West, both about mid-January. For more information write to:

Thomas L. Davis Jr.
Property Planning Consultants
2951 South Bayshore Drive, Suite A-4
Coconut Grove, Florida 33133

Innisfree is planning a series of workshops in Washington, D.C., Denver and San Francisco. For more information write to:

Paul Gray, Director
The Innisfree Consultants
1353 Bayshore Highway
Burlingame, California 94010

Snowbird Corp. of Dallas, which is developing the Snowbird ski resort outside of Salt Lake City, Utah, is marketing its fourth lodge, an 11-story, 181-room complex, entirely on a time-sharing basis. The lodge, which will be operated with full hotel services, will be completed in time for Christmas.

According to W. Pete Arceneaux, vice president of Snowbird, the company decided to go to time-sharing to avoid the long, drawn-out process of SEC registration which it had suffered through with its other lodges.

"Time-sharing allows us to provide the rooms we need to fill the chair lifts without tying up a lot of money for a long time," says Arceneaux.

By the end of September, some 92 time-frames had been sold, and a ski club was negotiating for another 30. The company expects the majority of sales to be made during the ski season. It found with the other three lodges, where units ranged from $36,000 to $150,000, that most units were sold to people who walked in off the slopes.

With this in mind, Snowbird has not yet done much promotion of the new lodge. Also, it is still in the process of filing for registration in California.

The lodge is being built in modules that can be combined easily to form different floorplans. The basic module is a single bedroom that averages 550 sq. ft. and contains two queen-size beds. The lowest-priced module, a room that does not face the ski mountain, costs $1,800 on floors 7 to 9 for a winter week and $500 for a summer week. A suite, which is a balcony bedroom over a studio (two modules) costs $6,500 on floors 7 to 9 in the winter, and $2,200 in the summer.

The company expects upkeep, including full hotel service, operating and maintenance expenses, utilities, furniture replacement, property taxes and management fee to come to about $50-a-year per module for each time-segment. There will also be an annual charge for the ground lease.

Snowbird will provide its own financing for the units. The present plans, which are not yet firm, call for a ten-percent down payment, with the balance paid over nine to ten years at a rate of around 12 percent. If the company's experience with conventional condominiums is any indication, however, many of the sales will be for cash.

The Snowbird time-sharing plan was modeled after Innisfree's. The buyer receives a Term Warranty Deed conveying an undivided ownership interest in the condominium unit for a period of 55 years. A Declaration of Covenants, Conditions and Restrictions establishes the time segments and other conditions of ownership.

Snowbird had originally attempted to market 28-day time segments consisting of two winter and two summer weeks. This was unsuccessful because skiers were not interested in summer weeks and many did not even want contiguous winter weeks. The company restructured its plan and is now offering one-week time-segments, except for the Christmas-New Year's holiday when two weeks are mandatory.

On the basis of current experience, the company is attracting a pretty good cross-section of the community. Says Arceneaux: "We are not really selling these units on the basis that they are inexpensive, but on the basis that a person can own a week when he wants to use it in a number of different condominiums. In other words, he can take the money and spread it out over three or four different places."

San Juan Hotel Corp. principals are building two projects in Puerto Rico which are being sold partially under time-sharing. They include a total of 597 units.

ESJ Towers, a 451-unit highrise now under construction next to the company's El San Juan Hotel in San Juan, offers 144 efficiency and one-bedroom units and one two-bedroom unit for two-week vacation ownerships. Prices range from $3,100 to $15,600, depending on apartment size and location and the season it is used. Common expenses, including property taxes, are estimated at $93 to $365 per unit.

The remaining apartments, which are lanais and two- and three-bedroom apartments, are being offered as conventional condominiums at prices ranging from $64,000 to $112,500.

Marina Lanais, a 146-unit midrise, is being built near the company's El Conquistador Hotel in Las Croabas, P.R. Half the units will be put in the time-sharing program at prices in the same range as those at ESJ Towers.

The vacation ownership plan, which was set up along the lines of the Innisfree model, gives the buyer an undivided interest in the fee of the unit and its common elements, coupled with the exclusive right to occupy the unit for a designated fifteen-night period each year. Buyers will enjoy full hotel service.

"We had considered a lease system, but nothing sells like ownership," says Jack Katz, vice president of ESJ Towers Inc. "We have a lot of confidence in our plan and feel that we are reaching a market that normally could not afford to get involved in resort condominiums."

In eight months of marketing, close to 500 intervals have been sold. Interestingly, the various unit types and time periods seem to have sold evenly. Katz declined to describe the buyers' profile but did admit that "we are definitely reaching buyers who are under 45. Most are from the New York area now, but we do not anticipate any limitations on our marketing. We expect to get people from all over the world."

The company is marketing its product aggressively in Puerto Rico with off-site cocktail parties, lunches and tours of the property. It does not yet provide financing, but expects to have several different types available before too long. —N.G.

. . . AND WHAT ABOUT RENTAL POOLS?

The idea of pooling all the units in a project so that the buyers could share equally in the income they produced was supposed to be a good way to allow buyers to offset ownership costs and perhaps even make a profit.

But in practice the rental pool has proven to be more of a tax write-off than an income-producer. And that is why developers are turning more and more to other types of rental programs.

Says one resort developer who has analyzed the rental-pool and rejected it: "You can't make the numbers work out for the rental-pool buyer." For example:

A typical $50,000 condominium costs the buyer about $9,000 a year, including maintenance fees, club dues and utility bills on top of mortgages and tax payments.

With luck, rental income may come to $8,000 a year, out of which the owner pays a 40% rental fee. This leaves him with less than $5,000, so he still has an annual cash-flow requirement of $4,000. If the owner is in the 50% tax bracket, his net investment in terms of taxable dollars is reduced to $2,000. But that's optimum, and it includes the tax break.

"Even the most successful rental pools I've seen have never reduced a buyer's net cash requirements to less than $1,500 a year," says the developer.

An even more important consideration is the risk involved in rental-pool investment.

In a limited-partnership rental pool organized under a management company, each condominium owner is liable for the rental pool's expenses. If the expenses should exceed income, the condominium owners as well as their general partner must come up with the extra cash needed to keep the pool operating. This risk should be enough to deter any buyer who understands the full ramifications of the rental pool.

While resort condominium developers may reject the rental pool as too negative and too risky to develop as a long-range merchandising tool, they do not reject rental programs in general. More and more are turning to rentals as a way to expose prospective buyers to the product, even going so far as to advertise owners' units over multistate regions and entertaining renters with elaborate hospitality.

Typically, a full-time resident manager takes care of leasing, maintenance, and hospitality. Hospitality may include such things as having complimentary sandwiches and champagne awaiting arriving guests and leaving newspapers outside their doors each morning.

As the main purpose of such rentals is to act as a sales tool, developers do not look for profits in renting resort condominiums for owners. The average rental fee of 25% of total rental dollars covers the cost of linens, maid service, advertising, brochures and a leasing commission. If the rental operation is tied in with a resale program, profits from brokerage commissions can be worthwhile, provided the rental fees cover all the leasing expenses.

While such rental programs may attract prospective buyers to the project, developers cannot merchandise the rental program itself unless the project has been registered with the SEC. And some developers who have set up management companies that rent out units year-round, just like hotel rooms, are deciding it's worth the time and money to do just that, so that they can promote the advantages of a rental program.

One new approach to voluntary rental programs offers the prospective buyer a guaranteed 60% of all rental income collected on his unit with the developer operating as exclusive leasing agent for a specified term. This arrangement gives the owner all the advantages of the rental pool without exposing him to the liabilities of management-cost overruns.

There is one major deterrent to condominium rentals, however: resistance from local communities. Many communities do not look favorably on a condominium project that will be rented out like a hotel. And even though developers with rental programs do not encourage weekend guests because of the high cost of linen-changing and maid service, weekend guests are inevitable and local planners use that aspect of a proposed resort as a cause for veto.

—H. Clarke Wells

Ryland's 'Uniplex': a new systems approach to single family

There are still a lot of people who won't buy a home unless they can get a single-family house on its own lot. To meet that market at today's construction costs, the Ryland Group of Columbia, Md., has introduced its Uniplex series: four stripped-down models —one bath and an average size of 1,047 sq. ft.—priced under $40,000 with land in the Washington-Baltimore area.

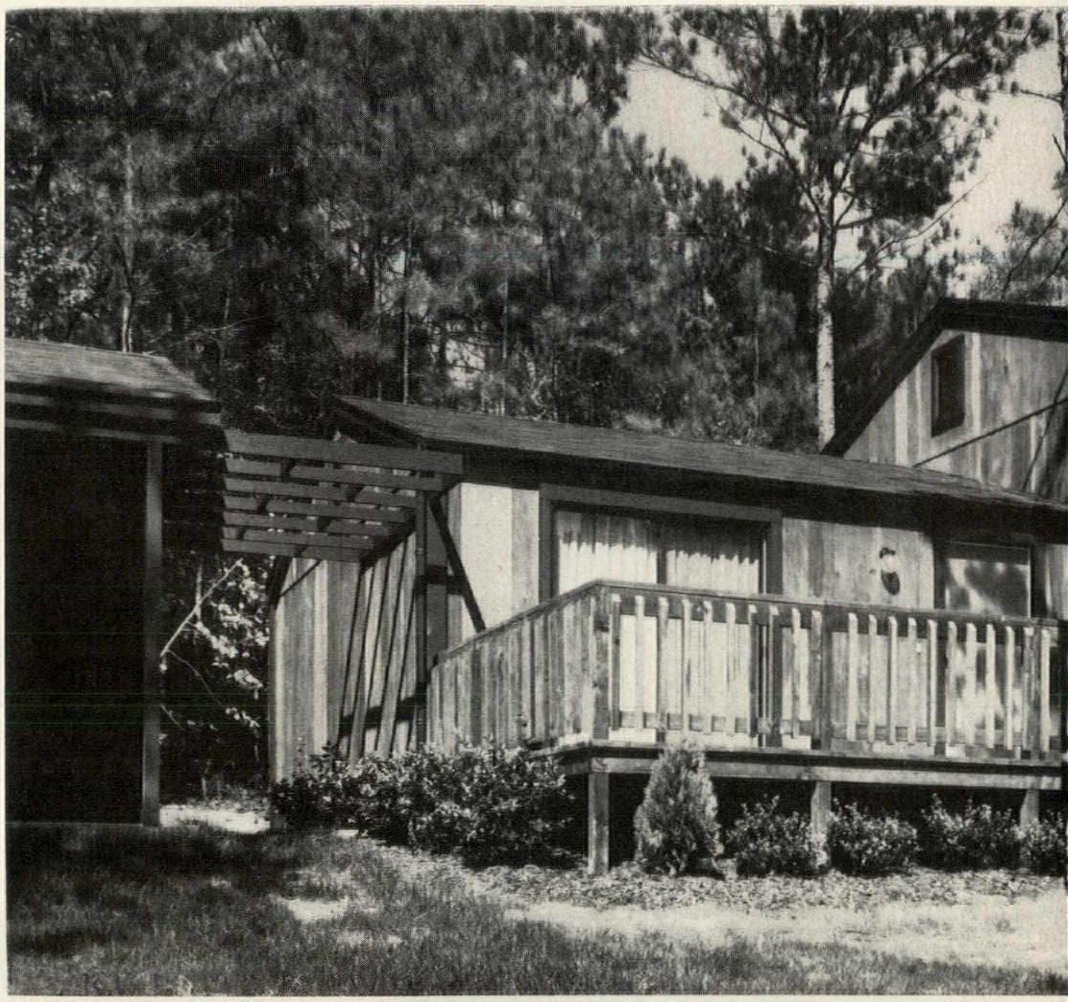
To produce the new series, Ryland developed a design and construction system that leans heavily on standardization and makes selective use of off-site fabrication. Specifically:

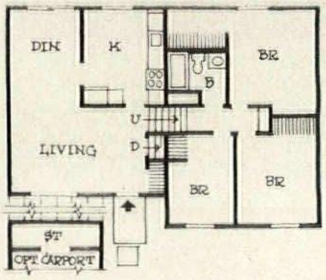
- Dimensions are standardized. Only three window sizes are used in the four models. All ceiling heights are 7'6". And all decks are the same width.
- Major construction components are prefabbed. Some are made in Ryland's plant at Columbia. Examples: wall panels, trusses and prehung doors. Others are bought from suppliers. Example: a standard wet core containing the kitchen, bath, furnace, water heater and hookups for a washer-dryer. It's shipped from an Alcoa plant in Pennsylvania.
- Houses are designed to suit any lot. They can fit easily into a zero-lot-line layout, for example, because their end walls have no windows or doors.

Suppliers—and subcontractors, too—played key roles in developing the system:

"We kept asking what was most efficient for them," says Frank Martin, Ryland's marketing services director, "because we get better prices when their efficiency increases." Subcontractors are guaranteed work on three houses at a time—a practice that makes for lower bids.

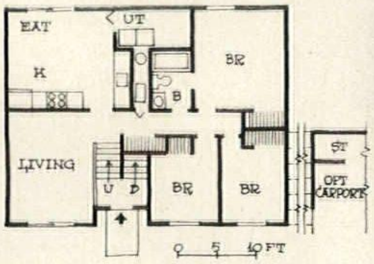
Uniplex sales have given Ryland "a real boost", according to Martin. "In the first two months, we sold more than 150 units." Most sales have been in 11 Washington-Baltimore subdivisions, and prices have ranged from $30,000 to $40,000, depending on lot size and location. But Ryland has also sold some Uniplexes in Peachtree City, a new town outside Atlanta, for $25,000 without basements. There the company set up a plant to produce its standard components but decided not to use the Alcoa wet core because shipping costs were prohibitive.



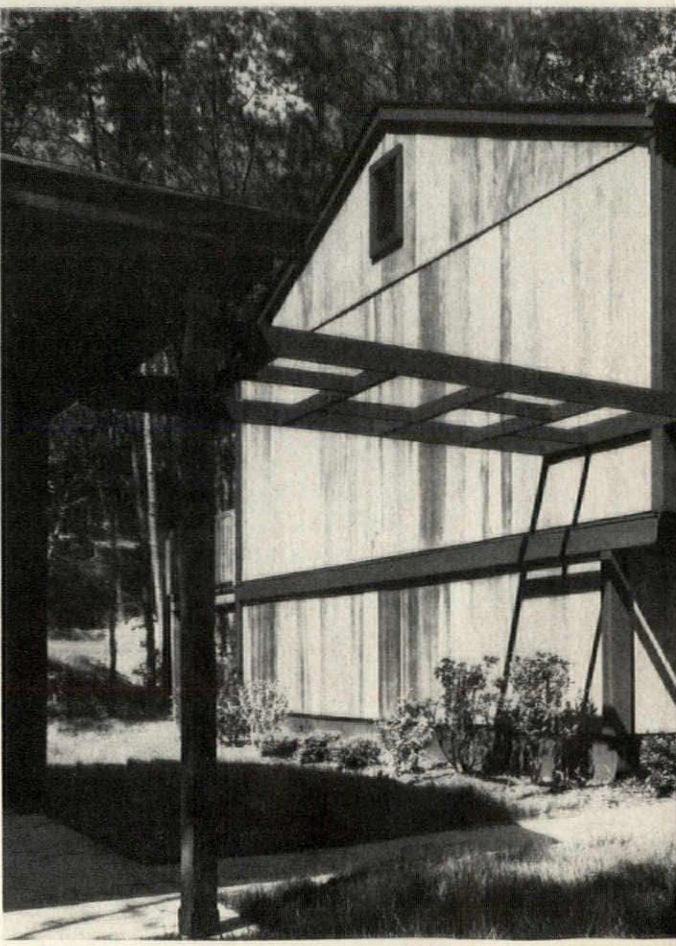


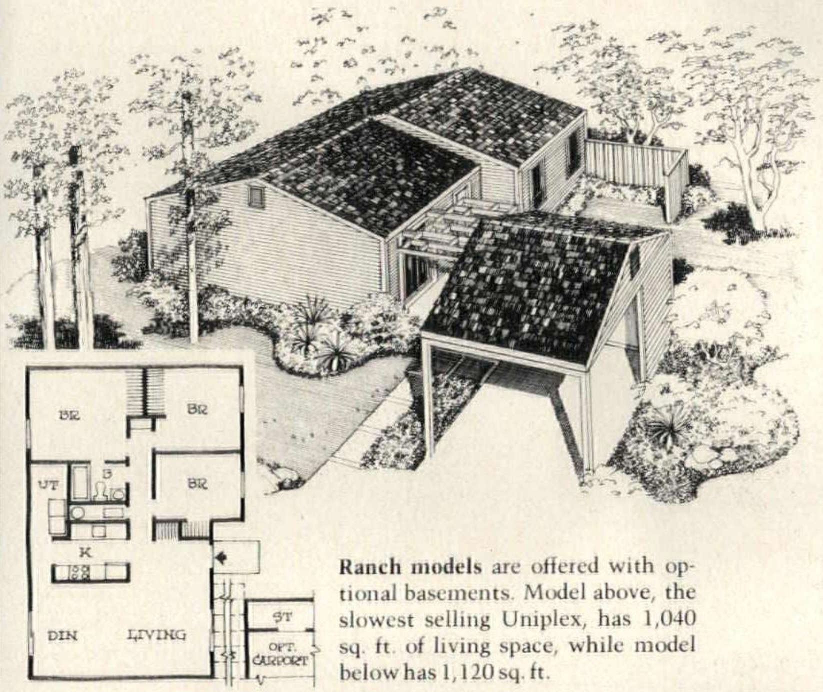
Split level is the best-selling Uniplex. Its living area is 1,040 sq. ft., and there's an unfinished basement under the bedrooms. All models have redwood-plywood siding supplied by Simpson Timber Co.

PHOTOS: SIMPSON TIMBER CO., SEATTLE

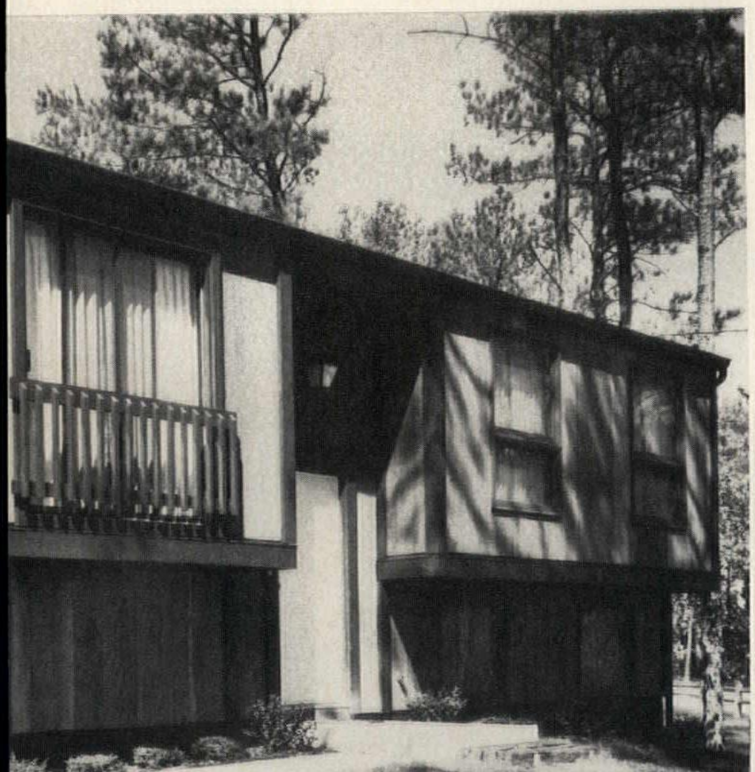


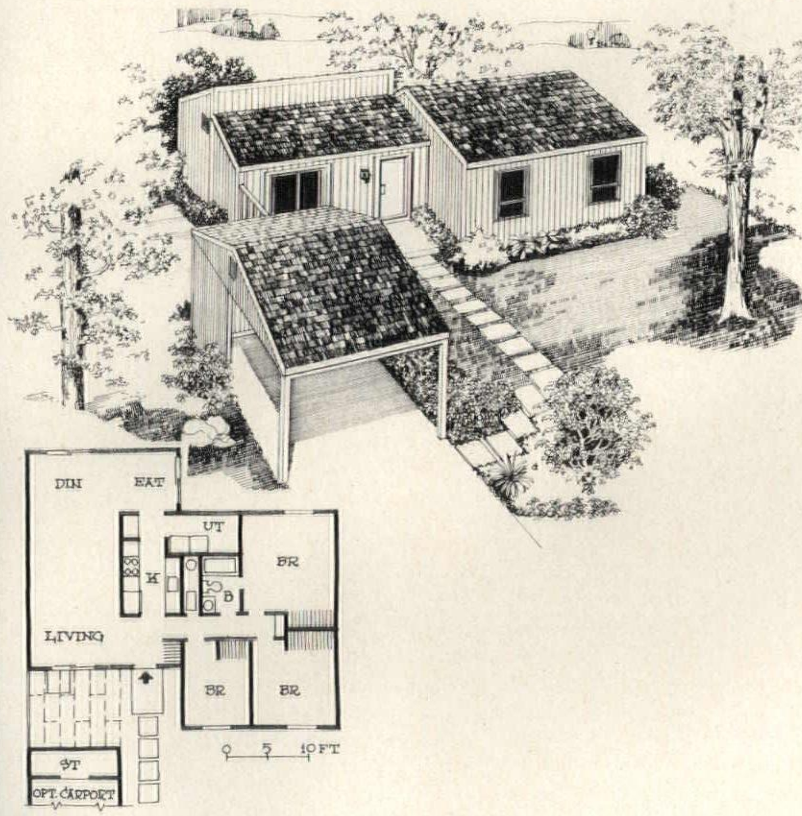
Bilevel ranks second in sales. It has 990 sq. ft. of living area on upper level and full basement below. Carports, attached to houses by trellises, are optional.





Ranch models are offered with optional basements. Model above, the slowest selling Uniplex, has 1,040 sq. ft. of living space, while model below has 1,120 sq. ft.





CONVERSION SUCCESS STORY:

65% of the tenants in this highrise became condo buyers

Thirty-one-story tower, The Summit, was built in 1966 by Joseph Eichler. Claude Oakland, Eichler's long-time designer, was consulting architect, Neill Smith & Associates was architect. The building, originally known as The Eichler Summit, is a shaft of reinforced concrete surrounded by balconies. Upper floors fan out, so apartments on the upper levels are progressively larger than those below.

Most converters would consider themselves lucky if 30% to 40% of their former tenants became buyers. So what accounts for the 65% in this building?

Gerson Bakar & Associates, the building's owner, says there are two reasons: first, an excellent product; second, an exceptionally sound marketing program.

The product is a 31-story, 110-unit tower on San Francisco's Russian Hill, a prestigious area overlooking the city and the surrounding bay. It includes such amenities as seven floors of parking—a hard-to-find luxury in San Francisco—two elevators, only five apartments per floor and a 24-hour doorman.

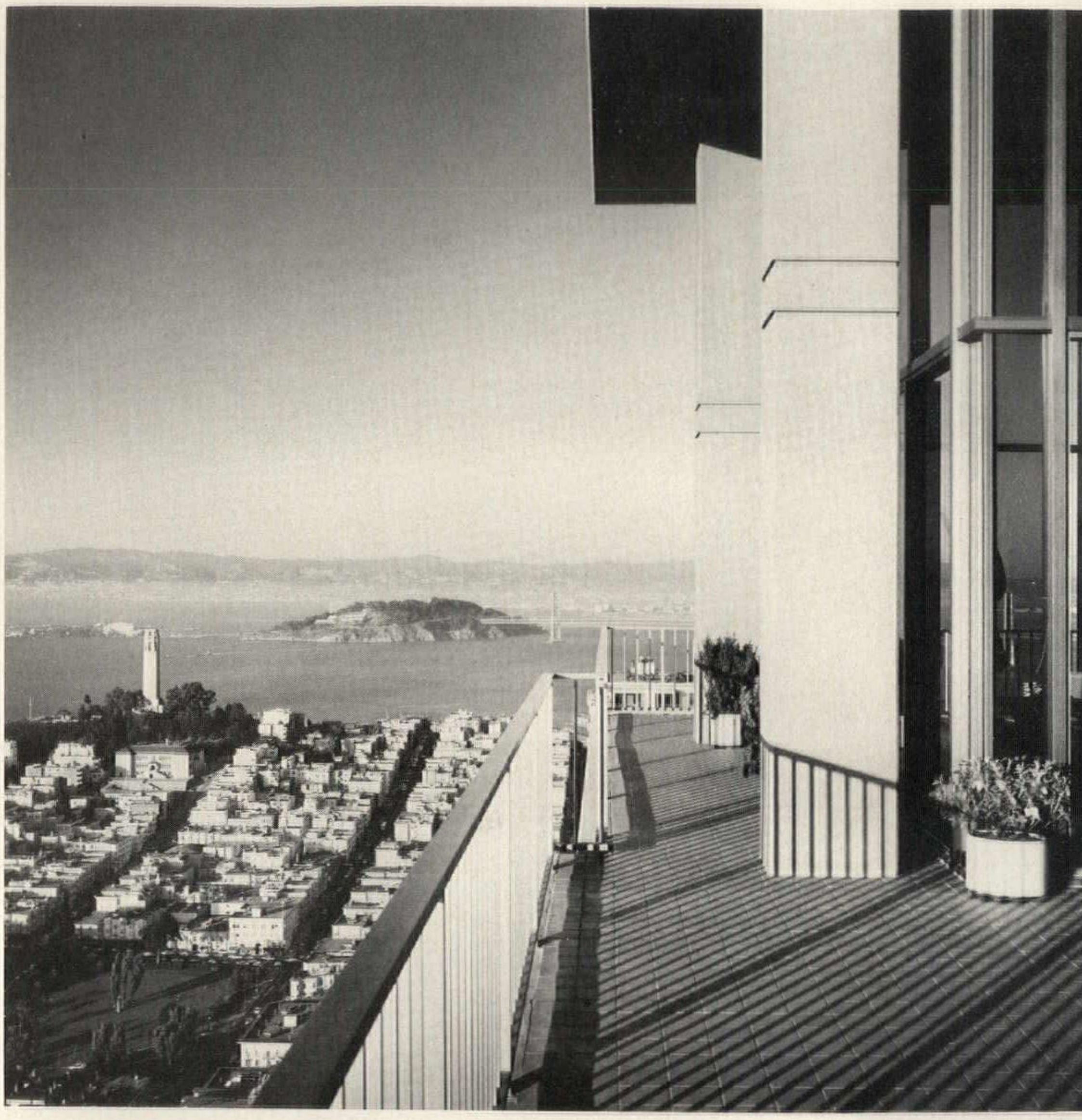
The marketing program had something extra going for it from the very beginning: The tenants were good conversion prospects. All were in high-income brackets. And a large percentage of them had lived in the building a long time—many from the time it was completed in 1966.

Bakar started marketing right after buying the building in August 1973. A letter informed each tenant that the company intended to convert the building and would start negotiating sales as soon as a price list was established. But tenants would have at least 90 days to make up their minds before any public marketing started, and all leases would be honored.

When the price list was ready, a Bakar salesman—hired two months earlier so he could familiarize himself with the project—called on each tenant to explain the pricing and the marketing timetable and to answer questions.

No special prices or concessions were offered: "Special deals always backfire," says project administrator Ladd Wilsey. "Other people find out, and then you have to come up with a deal for everyone. You lose your credibility, and probably sales, too."

The result: When sales were finally opened to the public, several months after the building was purchased, some 65% of the tenants had made purchase deposits on their apartments. And when the building is sold out, Wilsey thinks 70% of the former



PHOTOS: STONE AND STECCATI

View of Golden Gate Bridge *(above)* is from a top-floor apartment. Despite Bakar's attempt to price units so that the building would sell out evenly, upper units with the best views sold first. Entrance *(left)* is topped with three parking levels.

tenants will have become owners.

Prices are based on unit size and view. To help units sell evenly throughout the building, a methodical, unit-by-unit survey was made. The resultant schedule starts at $75,950 for one-bedroom units, $104,500 for two bedrooms, and $114,750 for three.

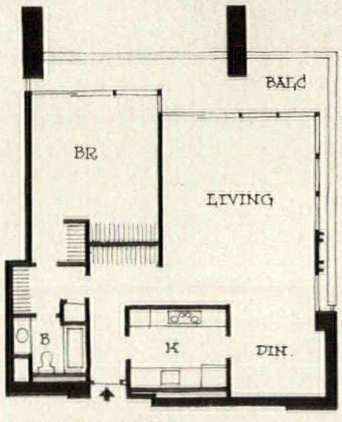
To demonstrate the advantages of condominium ownership as dramatically as possible, Bakar hired a high-fashion interior decorator—Michael Taylor of San Francisco. Taylor, who had never worked on model homes or apartments before, was told to decorate two apartments on the 20th floor just as he would decorate a private residence. One unforeseen result: some tenants-turned-buyers moved walls, added solariums and laid marble floors to achieve the effects they had seen in the models.

Bakar did have one serious marketing problem: too many one-bedroom units. There are two on each floor, plus a pair of units with two bedrooms and one with three.

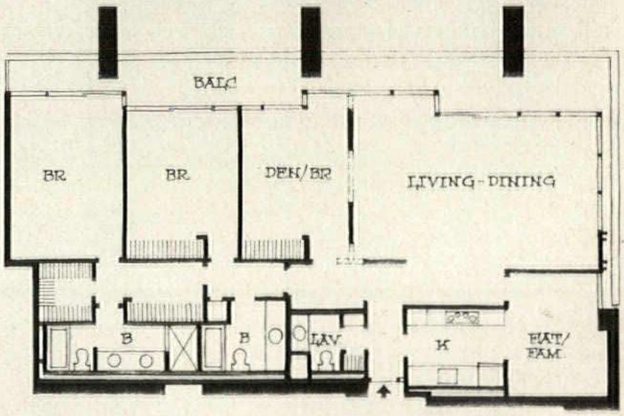
Fortunately, the two one-bedroom units at each level are adjacent to one another and can be combined. Bakar offers that option to prospective buyers in two plans—one with three bedrooms and one with two bedrooms and a den—and has demonstrated how it can be done with two unfurnished models.

Bakar also improved the building's community areas—redecorating hallways and installing an auxiliary generator to supply power to elevators and hallway lights in case of a general power failure.

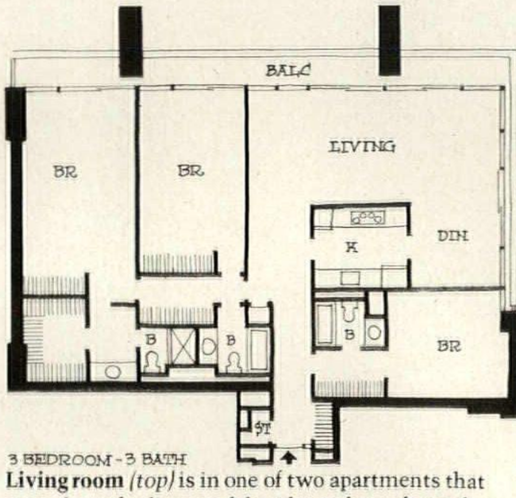
The careful handling of tenants proved even more important than Bakar anticipated. Reason: The San Francisco Department of Real Estate delayed final approval of the conversion for five months. So the tenants had eight months instead of 90 days to decide whether to buy. Had tenant communications been neglected, the fallout rate could have been substantial over such a prolonged period.



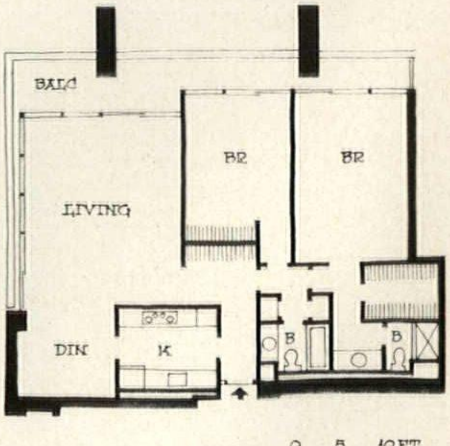
1-BEDROOM - 1-BATH



3 BEDROOM - 2½ BATH



3 BEDROOM - 3 BATH



2 BEDROOM - 2 BATH

Living room *(top)* is in one of two apartments that were furnished as models. Floor plans show the range of unit sizes available in the building. Total unit count has been reduced from 110 to 104 because several one-bedroom apartments were combined to form two- or three-bedroom units.

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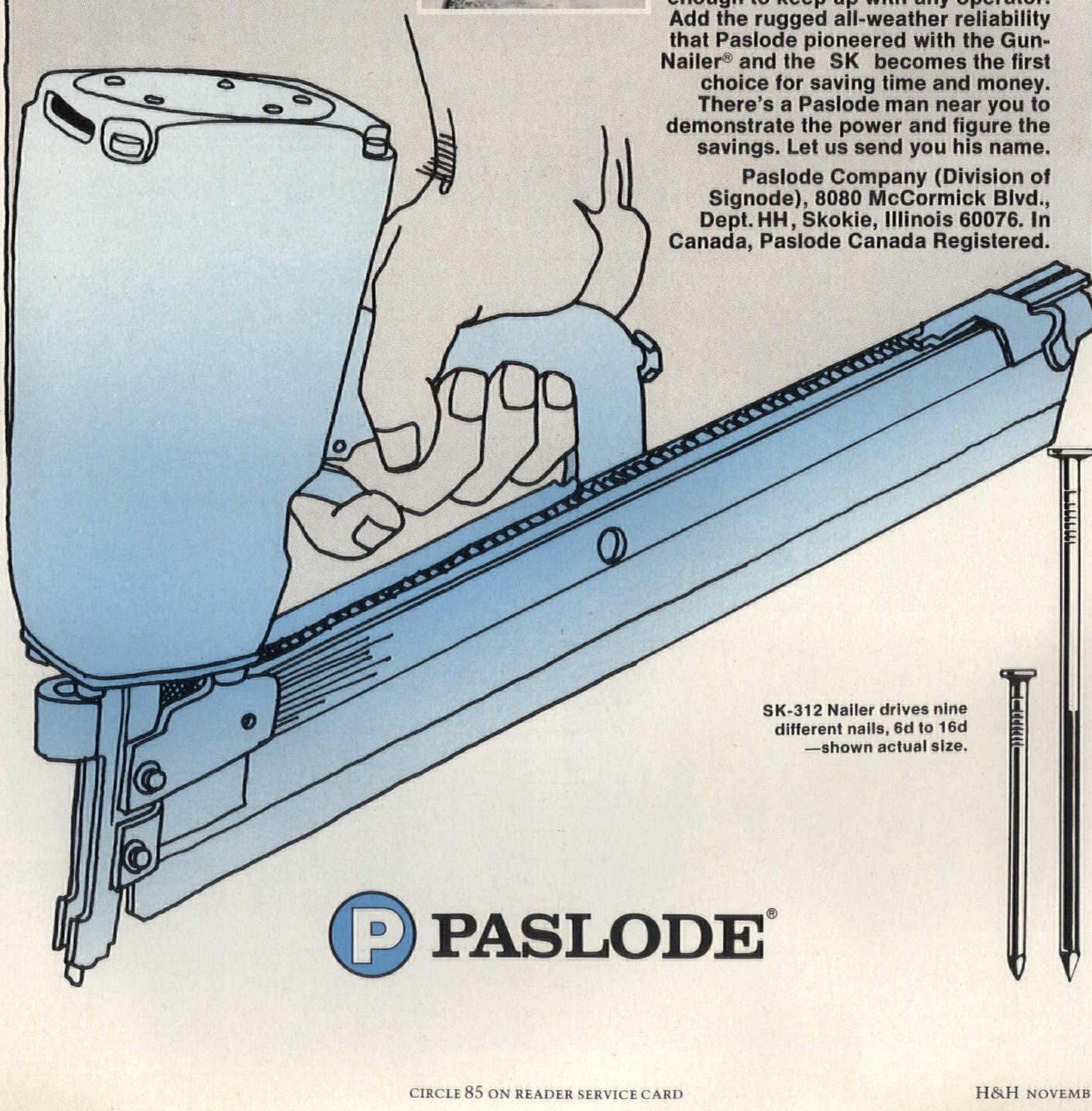


SK-312 Nailer drives nine different nails, 6d to 16d —shown actual size.

PASLODE®

Laminated building panels can be converted to solar energy collectors

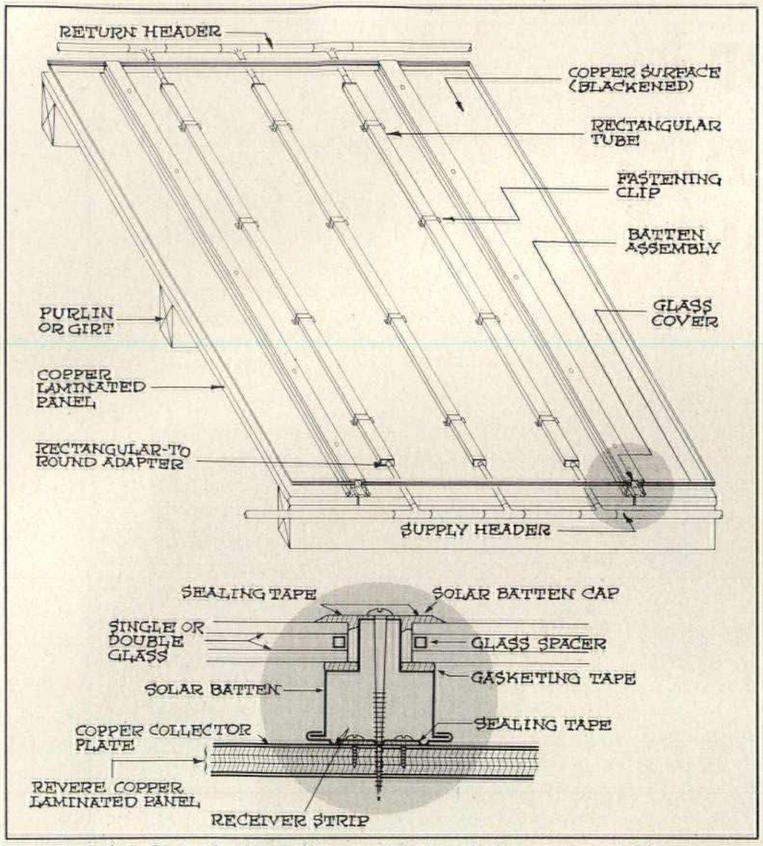
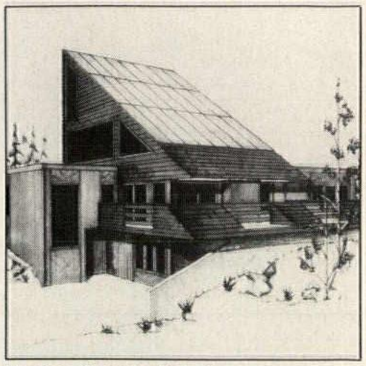


Diagram of roof-panel solar-collector with detail of batten assembly

Building panels made of copper sheets laminated to plywood cores are easily converted into efficient solar energy collectors for use in heating and air-conditioning applications. Copper battens, which snap into receiver strips, are added to the panels. These battens are used to support one or two layers of glass—or other transparent material—that trap radiant heat. A flat, blackened copper surface on the panel absorbs the sun's heat and transfers it to a fluid which is circulated through rectangular copper tubes secured to the panels *(see diagram left)*. Each collector panel uses two to five tubes depending on requirements. Collector panels can be installed anywhere as modular units *(below, left)*. For optimum efficiency they should perform a dual function, as in architect Kenneth Taniguchi's rendering *(below, right)*, where collectors also serve as roof panels. Collectors come in a standard 2'x4' size. Revere Copper & Brass, Rome, N.Y.

CIRCLE 200 ON READER SERVICE CARD

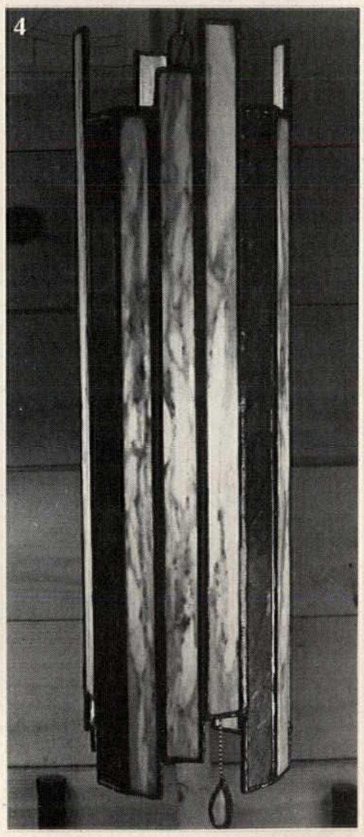

Collector module

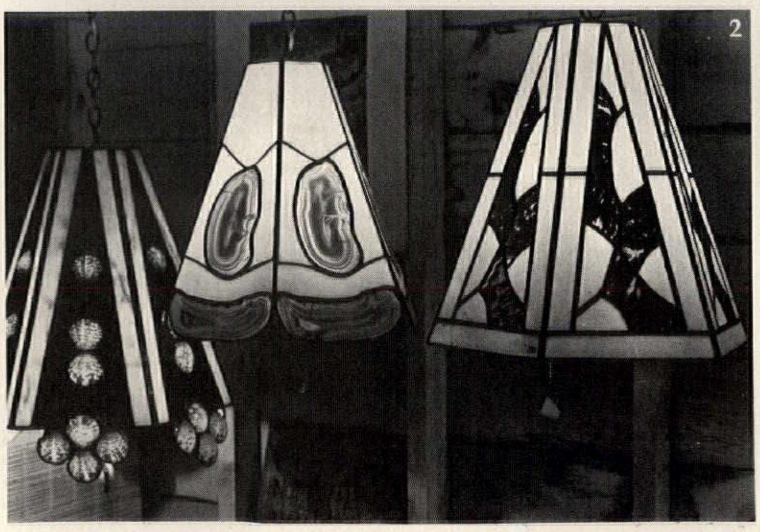

Taniguchi solar house

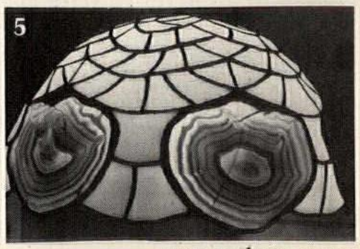
Sculpture-lights are handcrafted

Original designs and a wide range of unusual materials are combined with artistic skill to produce unique, contemporary light fixtures. Copper leaded lamps, which can be designed to fit individual needs, come in a variety of textures and shapes. Series of hexagonal fixtures shown display some of the different types of materials used. Hand-painted tiles are featured on three panels, while leaf cut-outs of hand-blown European glass on textured copper appear on the other three (**1**.) Shells are imbedded in copper-framed, white marble (**2**, *left*). Brazilian agate, with a warm, amber look is set-off by opalescent white glass (**2**, *center*). Tortoise shell is a striking contrast to white opalescent glass (**2**, *right*). Another hexagonal fixture (**3**) is a blend of white glass and natural stone. Tall thin "Roxy" (**4**) is made of Norwegian marble accented with darker verde antique marble. Dome-shaped fixture, 18" in diameter (**5**), makes use of a Brazilian agate and opalescent white glass combination. Anderson Studios, Jamaica, Vt.

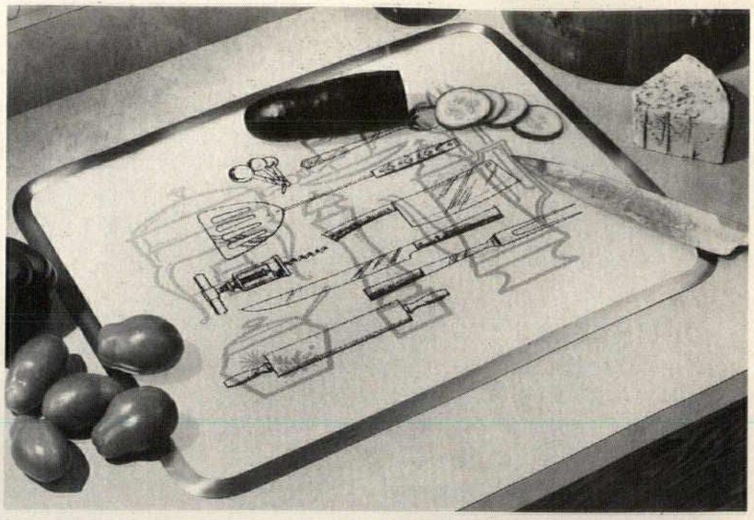
CIRCLE 201 ON READER SERVICE CARD







more products on page 88



"Gourmet Gadgets," a pattern of kitchen utensils in gold and black, is an addition to the Super-Saver® line of cutting surfaces. Scratch, cut and burn resistant Ultraceram® unit installs flush in the countertop. Vance Industries, Chicago.
CIRCLE 203 ON READER SERVICE CARD

"Statesman" style cabinetry, designed to blend with any decor, features a deep oak-grained finish and finely crafted brass hardware. Available in a full range of sizes, cabinets have self-closing hinges. Kemper, Tappan, Richmond, Ind.
CIRCLE 204 ON READER SERVICE CARD

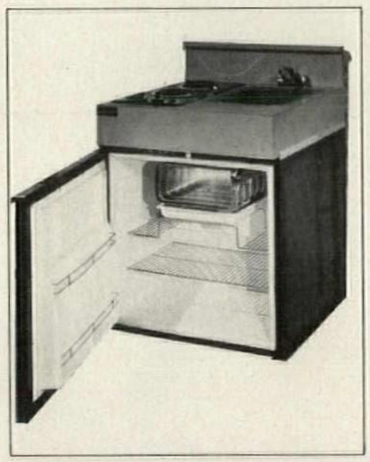
Roll-out hostess cart, designed to look like a base-cabinet section, slides neatly under the countertop. Unit, on ball casters, features a door that opens for easy access when the cart is stored. A choice of styles is offered. Long-Bell, Portland, Ore.
CIRCLE 202 ON READER SERVICE CARD

Wipe-clean interior surfaces are standard on the easy-to-maintain "Americana" cabinetry. The series features Formica laminate on door and drawer fronts and a matching woodgrain vinyl film on all other surfaces. Merillat, Adrian, Mich.
CIRCLE 205 ON READER SERVICE CARD

"Estate Oak" cabinetry with sculptured-wood styling and raised-panel design adds elegance to the kitchen. Cabinets, in a range of sizes, feature self-closing hinges and smooth drawer movement. Raygold, Boise-Cascade, Winchester, Va.
CIRCLE 206 ON READER SERVICE CARD

more products on page 90

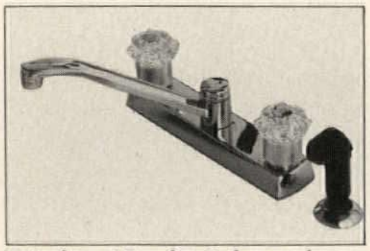
Traditionally styled, all-wood cabinet line, "Barclay," features double-paneled oak fronts and a three-coat, baked-on, deep-toned-walnut finish. Modular cabinets, accented with antique-finished hardware, have all-wood drawers with nylon rollers, adjustable self-closing hinges and plastic-edged shelves. Excel, Lakewood, N.J. CIRCLE 207 ON READER SERVICE CARD



Compact 30" kitchen unit features a 6-cu.-ft. refrigerator with a freezer zone, a two-burner electric cooktop and a porcelain enamel sink. Metal cabinet comes in white or coppertone with laminate countertop. Cervitor, South El Monte, Calif.
CIRCLE 209 ON READER SERVICE CARD

Drop-in electric range *(below)* has a "Clean-look" automatic oven. A porous ceramic oven liner disperses and partially absorbs spatter so oven never looks soiled. A removable bottom panel catches large spills. General Electric, Louisville, Ky.
CIRCLE 208 ON READER SERVICE CARD

Cabinetry imported from Ireland has clean contemporary European styling. The modular line is geared to U.S. dimensional standards. High-gloss laminate fronts, in a choice of colors, are accented with long-line, anodized aluminum handles. Easy-to-clean interiors have a white melamine finish. Murray, Westfield, N.J. CIRCLE 210 ON READER SERVICE CARD



Drip-free "Carefree" faucet has a self-contained cartridge molded of Celcon® plastic. There are no washers to wear out or metal seats and threads to corrode. Celcon® is self-cleaning, and self-lubricating. Milwaukee Faucets, Milwaukee, Wis. CIRCLE 212 ON READER SERVICE CARD

Built-in, hot-food server ends timing problems. Two-drawer unit features "Moistrol" that can keep food moist, crisp or medium. Server comes in chrome or without fronts to be matched to cabinetry. Modern Maid, Chattanooga, Tenn. CIRCLE 213 ON READER SERVICE CARD

Smooth cooktop, available on a full line of ranges, heats-up and cools-down fast due to open-coil element design. The one-piece Hercuvit® glass ceramic cooktop cleans easily, resists staining and requires no special utensils. Hardwick Stove, Cleveland, Tenn. CIRCLE 211 ON READER SERVICE CARD

more products on page 94

How to make the most of 1975 with this $70,000 research report on America's most active builders

Over $70,000 was spent to bring you this unique, comprehensive report on the nation's most active homebuilders.

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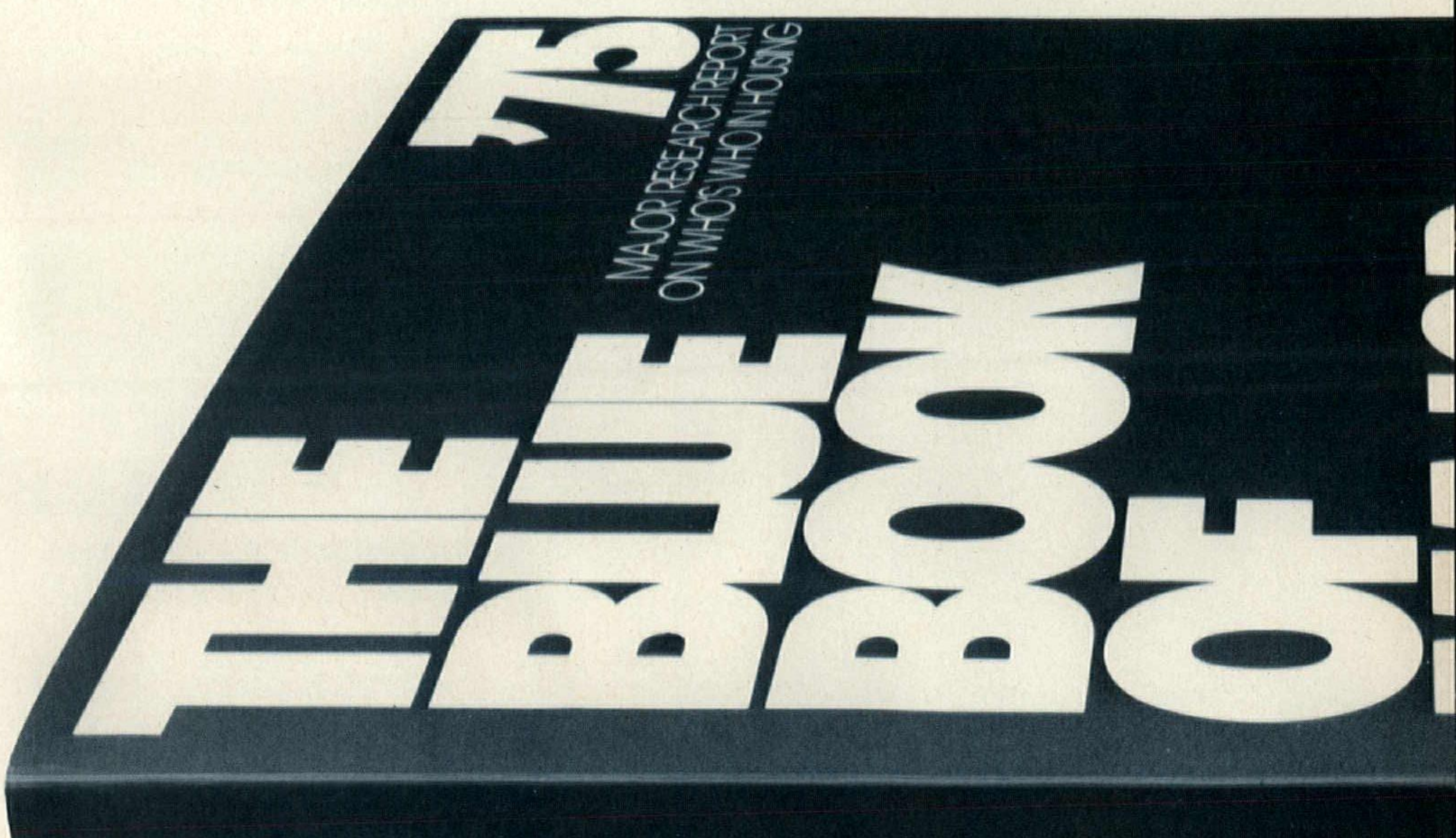

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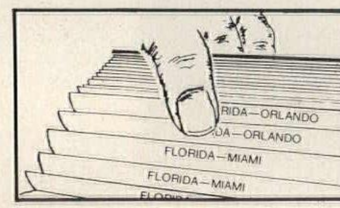

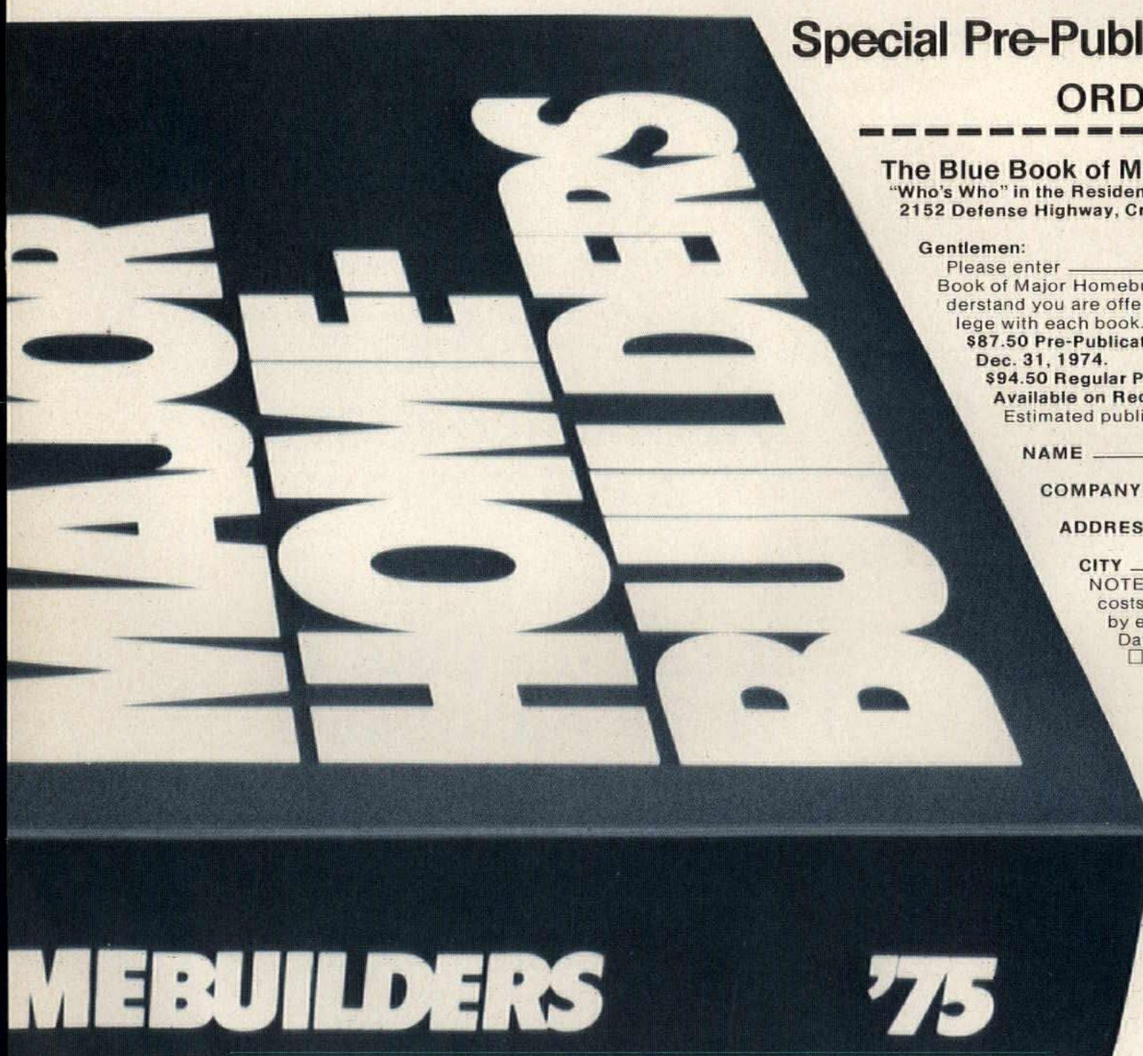

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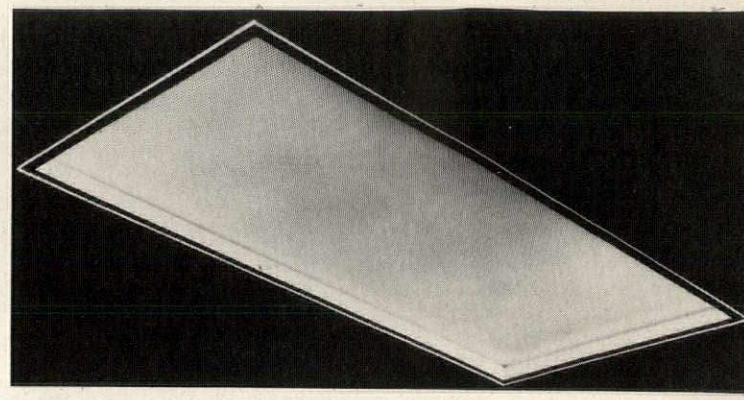
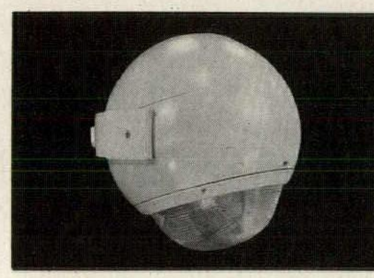
CIRCLE 93 ON READER SERVICE CARD

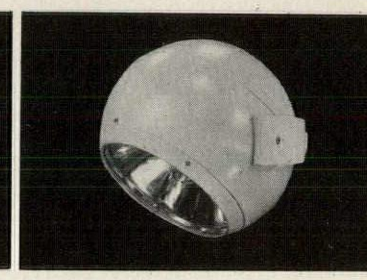
"Lollipop" lamps add a whimsical touch to a recreation area. The 18" spherical fixtures have bottom halves of white opal and top halves of blue, yellow or green. Lamps are mounted on 12'-high, satin-finished aluminum poles with flush-type bases that can be carpeted. Architectural Area Lighting, Santa Fe Springs, Calif. CIRCLE 214 ON READER SERVICE CARD

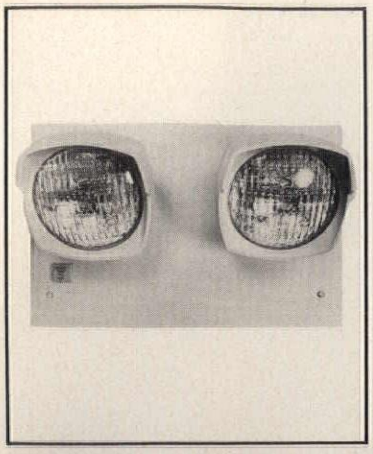


Recessed "Univaire" fixture can be adapted for heat transfer, air supply, air return or any combination of these functions. Offered in a variety of enclosures, the 2'x4', lay-in grid unit with an aluminum floating door, uses two, three or four 40w lamps. Day-Brite, Emerson, St. Louis, Mo.
CIRCLE 217 ON READER SERVICE CARD

Two ball-shaped, outdoor light fixtures accommodate high-intensity discharge lamps. The RAL *(below left)* for area lighting and the FAL *(below right)* for floodlighting can be used with 400w or 1000w Metalarc or mercury lamps or with 400w sodium light sources. GTE Sylvania, Stamford, Conn.
CIRCLE 218 ON READER SERVICE CARD

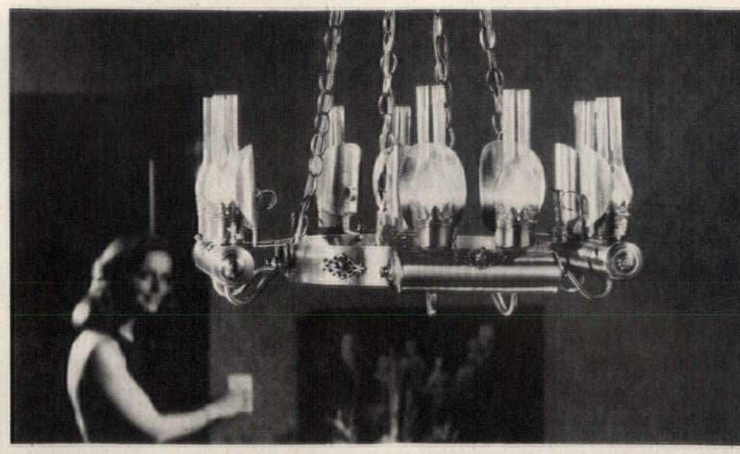


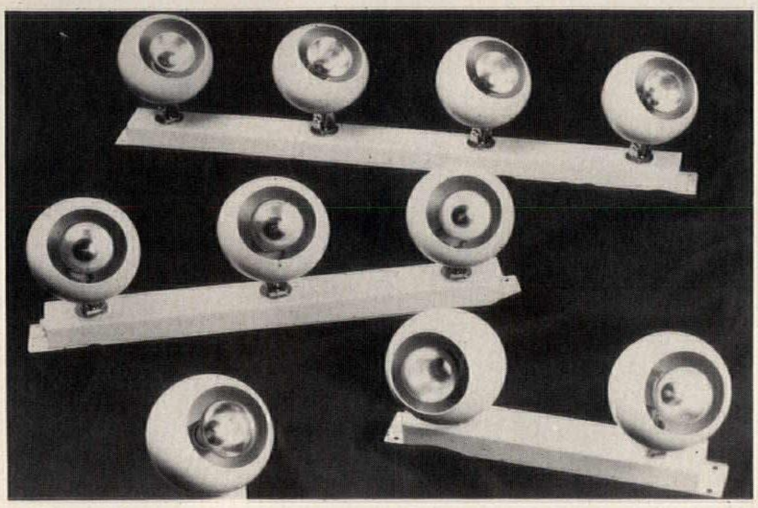




Unobtrusive emergency lighting can be fully recessed in a 4" wall. Flush cabinet may be painted or covered as desired and is offered in a choice of finishes. Only two swivel "Decor-lite" heads remain visible. Tork Time, Mt. Vernon, N.Y.
CIRCLE 215 ON READER SERVICE CARD

Miniature accent lights *(below)* can be used to illuminate artwork, walls and ceilings or work areas. Units are offered in one-, two-, three-, and four-ball models. Each 3½" lamp is mounted on a swivel base. Roxter, Long Island City, N.Y.
CIRCLE 216 ON READER SERVICE CARD





Intricate oil lamps, popular on frontier railroad carriages, inspired the "Frontier Heritage" series of lighting. The eight-light chandelier and matching one- and two-light wall fixtures are constructed with solid-brass lanterns and clear-glass chimneys. Artolier, Garfield, N.J.
CIRCLE 219 ON READER SERVICE CARD

"Nite-Hawk" luminaire, designed for security lighting applications, can use energy saving 100w and 150w high-pressure sodium lamps. Offered in either sodium or mercury vapor versions, unit comes as ready-to-install package. Area Lighting, McGraw-Edison, Racine, Wisc.
CIRCLE 220 ON READER SERVICE CARD

LITERATURE

Plywood applications, said to cut costs of commercial construction, are discussed in 16 pages. Preframed plywood roof panels and walls, heavy-duty plywood floors and plywood exteriors for metal buildings are some of the suggestions. Details for roof, floor and wall construction are included. References for additional information are listed. American Plywood Association, Tacoma, Wash.
CIRCLE 301 ON READER SERVICE CARD

Safety accessories that protect personnel at construction sites from hearing loss, eye injury or head injury are cataloged in four pages. Each is shown in a photograph and described. Bostitch, E. Greenwich, Rhode Island.
CIRCLE 302 ON READER SERVICE CARD

Paneling is described in a 12-page booklet. Ten styles, with designs ranging from simulated woodgrain to abstract, are shown in full color, and decorating suggestions are made. A ceiling-block system, moldings and installation materials are also cataloged, and specs are given. Marlite, Dover, Ohio.
CIRCLE 306 ON READER SERVICE CARD

Redwood plywood for interior and exterior application is shown in an eight-page booklet. Different grades are defined, and characteristics and technical data are given. Seven panel patterns are illustrated in profile diagrams, and several are photographed in full-color. California Redwood Association, San Francisco, Cal.
CIRCLE 315 ON READER SERVICE CARD

Merchandising through interior design is the subject of a book by Carole Eichen, a prominent model home and apartment decorator, and HOUSE & HOME contributing editor.

The book tells how to create model interiors "that directly relate to the demographic profiles of prospective buyers and renters."

This design technique is illustrated by 50 four-color room photographs and 100 before and after annotated sketches of the photographed interiors.

Detailed case studies of six successful projects demonstrate the technique.

Other subjects discussed in the book are:

- Budgets: How to make interior design costs pay for themselves.
- Scheduling: How to make sure models are ready on opening day.
- Helping models sell: How to get back-up from salesmen and publicity.
- The sales office: How to tie it directly to the models.

How to Decorate Model Homes and Apartments is available for $24.95 from House & Home Press, 1221 Avenue of the Americas, New York, N.Y. 10020.

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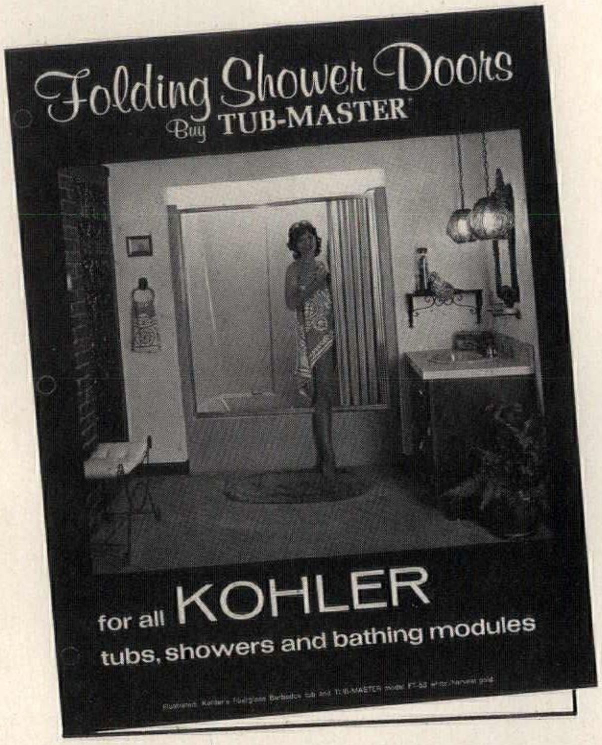

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