FORMERLY **HOUSE & HOME**

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housing

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Breaking into non-res

'79 HOUSING FORECAST

Certain floor designs copyrighted by Armstrong

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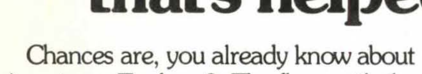

Premier Sundial adjusts to seasonal subfloor movement.

install over particleboard or concrete, expands and contracts with subfloor movement, and hides most subfloor irregularities.

Premier Sundial is almost the same thing. But even better! It gives you all the features of Tredway plus our exclusive no-wax Mirabond® wear surface that allows the floor to shine without waxing far longer than ordinary vinyl floors. And Premier Sundial has an extra-thick cushioned backing which provides more underfoot comfort.

Premier Sundial is a no-wax trade-up version of Tredway, the floor that's practically eliminated complaints and callbacks for builders everywhere. And helps them save time and effort, too. Like Tredway, Premier Sundial installs faster than any other of our permanent floors. In case of accidental damage, it repairs a lot easier, too. You'll find it almost impossible to tell where the patch leaves off and the floor begins.

In short, Premier Sundial is a shining example of what a little creativity can do for the building world. In a range of patterns and colors for almost all the active areas of your homes. To learn more, call your Armstrong Flooring Contractor, or write Armstrong, Dept. 8CFHH, Lancaster, Pa. 17604.

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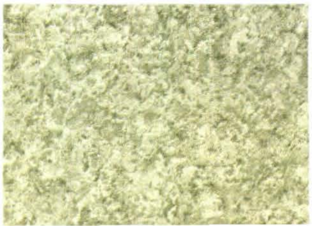

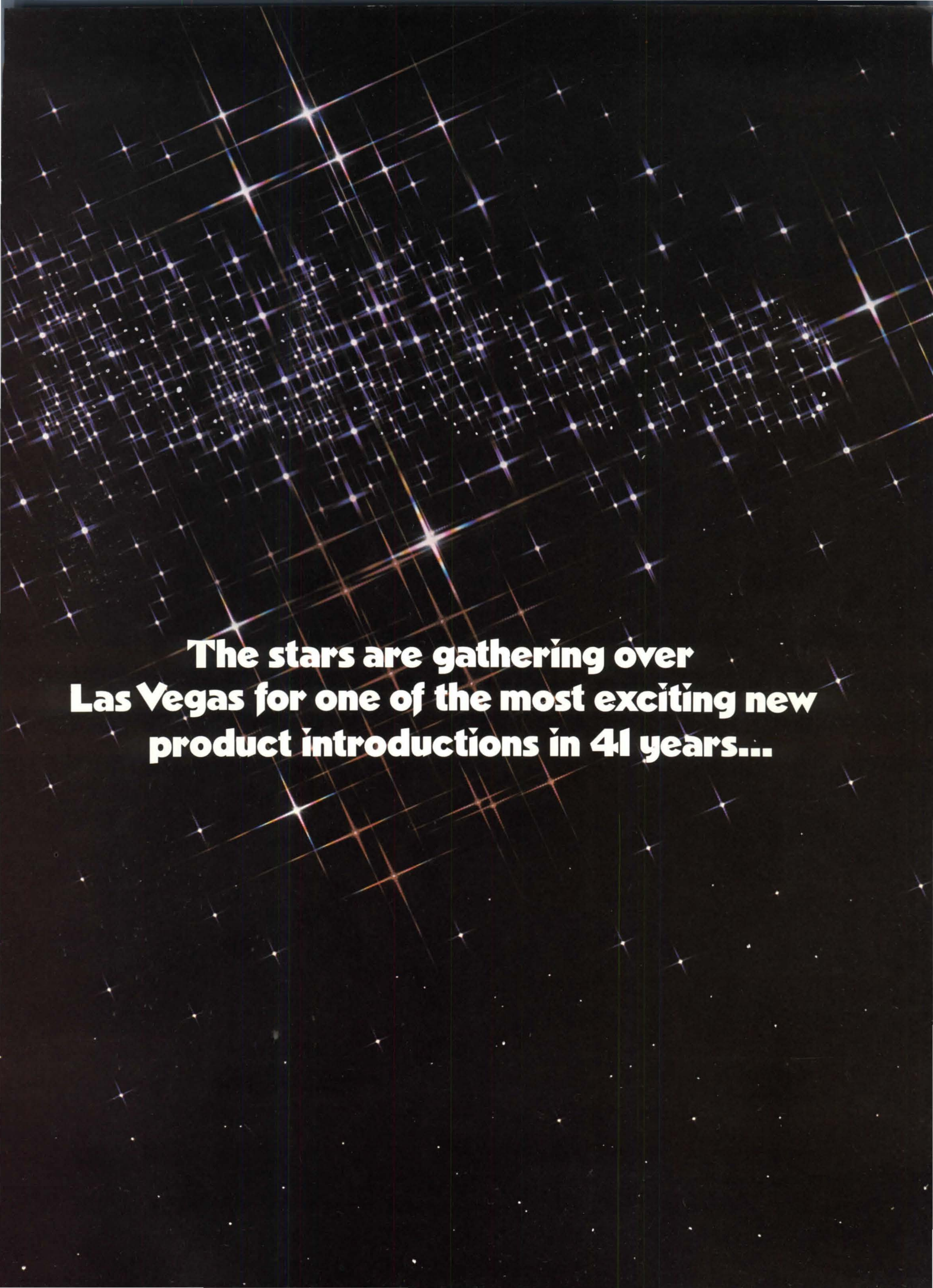
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FORMERLY **HOUSE & HOME**

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housing

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This issue of Housing (formerly House and Home) is published in national and separate editions.

Let's hurry up and slow down

Some housing leaders are less than enthusiastic about President Carter's steps to control inflation and rescue the dollar. Their reactions have a familier ring: Once again, they imply, housing will be sacrificed to bring the national economy back in line.

Not so long ago they had a case. Now they don't.

Today's choice is not between housing's health and the health of the national economy. It is between recession and runaway inflation.

Carter has, in effect, opted for recession, which means a dip in housing starts but nothing approaching the 1973-75 disaster; mortgage markets are better insulated and builders' unsold inventories are much lower. The alternative, runaway inflation, can lead only to an ultimate depression, which of course would include the housing industry in its wreckage.

All this is ironic because, in some ways, housing seems to thrive on inflation—even to fuel it. There's little doubt, for example, that inflation helps rather than hinders housing sales.

Consumers expect no end to rising prices. So, unfazed by soaring interest rates, they buy houses as hedges against inflation. And the more they buy, the higher the prices of the houses and everything that goes into them—in short, the faster the pace of inflation.

If only for its own sake, housing could do well with a breather. It is overheated. It is strapped for materials and productive capacity. Its prices are nearly out of control. And it is swimming in money as the result of a credit explosion that, in three years, has seen mortgage debt soar 54% to $750 billion.

The credit influx is so great, in fact, that it has overflowed the housing sector. Much of the new mortgage credit is being monetized—turned into money—by the borrowers and never even used for housing. It goes instead to cars, yachts, vacations and other discretionary items.

So it's time to ease up. A slowdown isn't all bad. As economist Harry Schwartz puts it: "A slow but steady year is the best thing that could happen to housing."

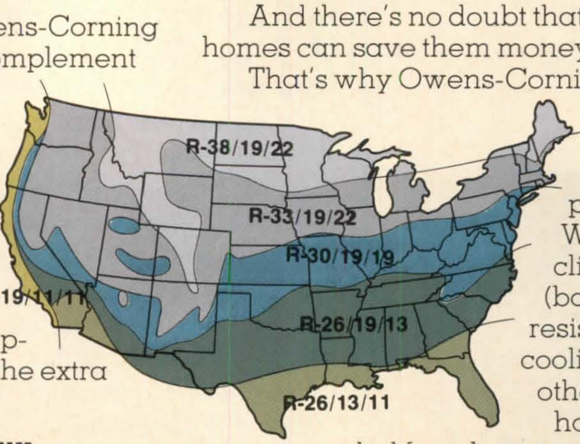
—JOHN F. GOLDSMITH

Owens-Corning can help you build the homes buyers want: homes that are energy-efficient.

The house on the right has more Owens-Corning Fiberglas* insulation, as well as a full complement of energy-saving features (see the construction checklist at far right).

It's a home that buyers will pay more for—because it will save them a bundle on fuel bills.

And, surprisingly, it may cost no more to build than the conventional home on the left. Savings on framing lumber *and* on heating and cooling equipment may actually add up to more than the extra construction costs.



The house your customers will buy.

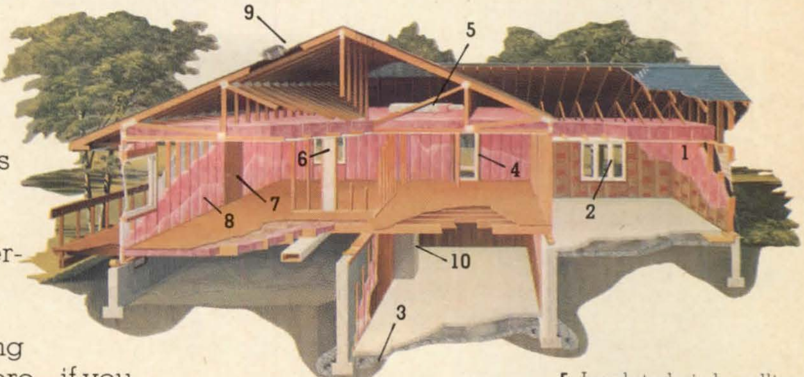
Buyers are out looking for homes with reduced fuel costs. A recent survey found 93 percent of new home buyers ready to spend $600 more on their home, to save just $100 yearly on fuel bills.

And there's no doubt that energy-efficient homes can save them money.

That's why Owens-Corning has developed guidelines for insulation for new homes in different parts of the country. We've considered climate, energy costs (based on electrical-resistance heating and cooling), and a variety of other factors. (To find out how much insulation is recommended for where *you* build, check R-values—ceilings/walls/floors—on map above.)

We've developed new products—like

The houses may look alike, but the one on the right has more Owens-Corning Fiberglas insulation plus the features below.



Fiberglas batts with higher R-values (R-30, R-38)—that make it easier for you to meet these recommendations.

And we've been urging consumers to make sure that the insulation they use has the NAHB Research Foundation, Inc., label for assured thermal performance.

The people preparing to buy new homes are concerned about conserving energy. So you can sell a house for more—if you build it like the house on the right.

To find out more about building energy-conserving homes, and how much insulation is right for where you build, contact Y.H. Meeks, Owens-Corning Fiberglas Corp., Fiberglas Tower, Toledo, Ohio 43659.

The energy-efficient home:
1. Blankets of pink Owens-Corning Fiberglas insulation.
2. Double-glazed windows or equivalent in areas of 4500 plus degree-days.
3. Perimeter insulation for slab-on-grade construction in certain geographic areas.
4. Storm door and standard door used in combination or an insulated door.
5. Insulated air-handling ducts.
6. Windows and doors designed to limit air leakage and weather-stripped. Total glass is minimized.
7. Caulking and sealing at critical locations.
8. Vapor barriers of 1.0 perm or less for walls and floors, and as a ground cover in crawl spaces.
9. Adequate ventilation and provisions for exhausting moisture.
10. Properly sized heating and cooling equipment.

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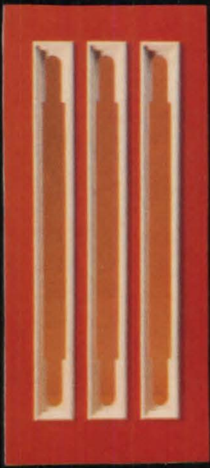
*T.M. Reg. O.-C.F. Corp. © O.-C.F. Corp. 1978

ACORN ENGINEERS ENERGY-SAVING SOLUTIONS

Examples? Acore® steel entranceways and sidelights. They all feature the unique Acorn A-Therm Thermal Barrier® system, polyurethane insulation, magnetic weather-stripping and energy efficient engineering all around.

It's all built right into every Acorn door, sidelight and frame to cut heat loss, air infiltration, condensation and even noise. Insulation like that means year round savings on energy costs. And that's not the whole story.



You can use any lock on an Acorn door. Galvanized steel makes for maximum security, more insulation and fire protection, as well as corrosion protection. Acorn offers you thermalized aluminum thresholds too—for the warmth of wood with twice the strength and durability. It all adds up to a quality product, expertly engineered.

That's why Acorn can give you a limited five year warranty against delamination and warpage. To top it off, each Acorn door comes in a wide, beautiful array of designs and selections to suit your taste.

And forget about shipping and handling foul-ups. Acorn has a broad network of over 300 outlets in 44 states for fast, on-time, delivery. That means you won't have to worry about costly building delays. Sound pretty good? For more information write Acorn at 12620 Westwood, Detroit, Michigan 48223.

Whatever your style, Contemporary, Colonial, Mediterranean or Provincial, there's an Acore insulated steel door for any home. (Doors come in 2'-6," 2'-8," 3'-0" and 3'-6" widths)

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INSULATED STEEL DOOR SYSTEMS INSTITUTE

ACORN BUILDING COMPONENTS, INC.

Stop by and see Acore® steel entrance systems and sidelights first hand at the NAHB convention in Las Vegas at Booth #1976.

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Proposition 13 fever spreads nationwide
Brooke, Brown lose; Tower and Green win

On Election Day '78, voters overwhelmingly endorsed Proposition 13-type property tax measures in eight of nine states while adding a pair of names well-known to builders to the ranks of unemployed politicos.

By wide margins in most cases the property tax referenda were approved in Alabama, Arizona, Idaho, Michigan, Missouri, Nevada, Texas and Washington State. Liberal Oregon was alone in declining to climb aboard the anti-tax bandwagon.

Brooke's defeat. In Senate races, veteran liberal Republican Edward W. Brooke of Massachusettes was defeated by Democratic Congressman Paul Tsongas. Texas Republican John Tower won by a nose.

Brooke—an influential member of the Senate Banking, Housing and Urban Affairs committee—saw his reelection effort hamstrung from the start by accusations of financial wrongdoing in his recent divorce settlement.

Brooke, the Senate's only black, wrote the 1969 Brooke Amendment stating that low-income families in federally subsidized housing need not pay over 25% of their incomes for rent. The amendment, which Brooke fought to retain in the ensuing years, became one of the cornerstones of HUD's Section 8 program. He also cosponsored the 1974 Brooke-Cranston Act, which sought to stimulate housing construction via the Government National Mortgage Association's lending.

In Texas, the conservative Tower nosed out Democrat Robert Krueger by less than 25,000 votes. Tower is also a member of the banking committee.

Brown's ouster. In a key House race, Garry Brown (R., Mich.)—a powerful policy molder on the House housing and community development subcommittee since '74—was upset by Democrat Howard Walpy.

Brown was reportedly hindered by HUD's failure to announce that its Grand Rapids multifamily processing office would remain open in the wake of the agency's reorganization moves. Housing Secretary Patricia Harris was reported to be miffed at Brown's repeated efforts to thwart her plans to funnel more funds into her pet inner-city programs.

Green and Martin. S. William Green (R., N.Y.) won reelection to House by outpolling liberal Democrat Carter Burden in Manhattan's Silk Stocking District. Green, a HUD regional administrator in New York during the Nixon years, first won the seat last spring by defeating former Congresswoman Bella Abzug in a special election to fill the spot vacated by current New York mayor Edward I. Koch [HOUSING, April].

In Louisville, Ky., the former NAHB president, George C. Martin, Democrat, lost out to incumbent Congressman Gene Snyder, a three-term Republican.

Tax revolt grows. As Proposition-13 fever spread, Alabamans approved a referendum prohibiting property taxes from exceeding a variable percentage of a property's fair market value.

Arizona voters approved a constitutional amendment limiting state spending to 7% of personal income. Local governments are expected to imitate the state measure, thus reducing both state and local property taxes.

Idaho voters approved a constitutional amendment lowering property taxes to 1% of assessed value in '78.

And in Michigan, a measure cutting the current property assessment from 50% to 25% of market value approval. The constitutional amendment limits annual assessment increases to 2.5%.

Missourians gave the nod to a constitutional amendment giving the state's legislature authority to roll back the rate of all property taxes.

Nevadans voted to roll back property tax assessments to 1975 levels with the tax limited to 1%. A two-thirds majority in both houses would be required to raise taxes or levy new ones. But the amendment will have to be reapproved in two years before going into effect.

Texans endorsed a constitutional amendment limiting the growth in state spending to the growth in the state's economy. The amendment bars property tax increases unless the appropriate governing body gives notice and holds a public hearing.

Washington State exempted retirees over 62 years old from a portion of the property tax.

Suburban revolt. On the local level, voters also acted to ease the property tax burden. Long Island's Suffolk County voters approved a proposal giving them the power to place a tax-cut proposition on the ballot. The proposition will reportedly appear next year.

Maryland's Montgomery and Prince George's counties passed initiatives designed to slice county taxes—including property taxes.

A gamble fails. Miami Beach way, where hotel owners wanted to turn fading Collins Avenue into Atlantic City South, a statewide referendum that would have permitted casino gambling on the Beach went down to a 2-1 defeat.

The hotel owners simply said they would try again in two years.

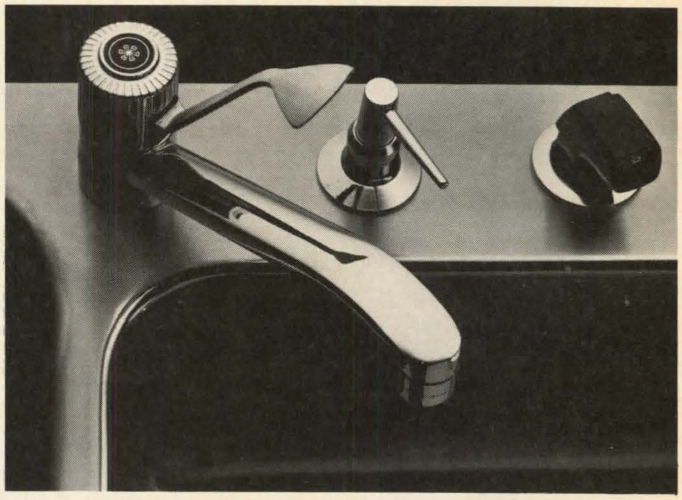
—TOM ALLEN

THESE SPACE-SAVERS FROM MOEN CONCENTRATE ON QUALITY SALES APPEAL.

Because today's trend is to upscale quality and downscale size, Moen brings you two classics: the Chateau faucet and the Camelot™ Stainless Steel sinks. Both are designed to help you fit traditional Moen quality into compact space. And provide more sales appeal at competitive prices.

Here's a super-salesman that can save construction dollars: the Chateau/Bar Sink Combination. Nothing has more contemporary sales appeal than this hospitality center. If you're thinking of replacing the powder room, here's an idea that replaces it at a lot less cost, less space and still appeals to both husband and wife.

An extra-selling touch at a modest price. An exclusive feature of our Chateau/Camelot combination, KL 3322, is this attractive arrangement of Chateau faucet, hose and spray and liquid dispenser. The homemaker has her own supply of hand lotion or liquid detergent right at hand. One more Moen feature she will really appreciate.



Camelot! Gleaming elegance plus bigger bowls, model-for-model, than you can get in any other sink. This line of Moen Stainless Steel Sinks can save you up to 168 square inches of counter space because it eliminates ledges. Saves installation time, too, with self-rimming feature, exclusive Jiffy Clamp and built-in Sealtite strainer. Exclusive feature: Chateau faucets in space-saving single-post mounting. Six models, single and double bowls.

Moen reliability: this cartridge is the heart of every Moen faucet. It's the big reason why Moen has an unequalled record of reliability. When you have the combination of Moen reliability and Moen marketing innovation, you really don't need another choice. See your Moen man today. Or contact Moen, a Division of Stanadyne, Elyria, Ohio 44035.

Circle 13 on reader service card

New dangers threaten mortgage funds

The outlook for mortgage money has turned far more serious.

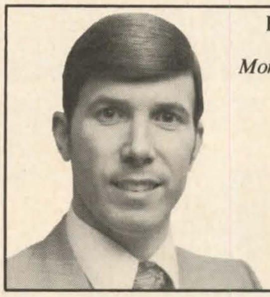
The shift has been sudden. Most housing experts thought home-mortgage rates were near a peak in September, when they flattened and even declined in some sections.

The peak was false. The Fed began propping the dollar in October, and rates on mortgages once again began pushing toward 10%.

Now the prospect is much more serious. It no longer involves rates alone but rests on the supply of savings that mortgage lenders can count on. Savings and loans, savings banks and commercial banks have taken in $20 billion in money-market certificates and this has been a key prop for their business. But this month they have to roll the certificates over or lose the savings. The first batch of the high-price CDs amount to $6 billion, and how many of the institutions renew at 10%-plus yields will be an important test of the mortgage industry's willingness to stay in the housing market.

Agency support. A second test will be the willingness of the Federal Home Loan Bank System and such secondary-market mortgage buyers as the Federal National Mortgage Association and the Federal Home Loan Mortgage Corp. to keep the system going by buying funds at very high interest rates in the credit markets. All three say they are ready to go, but to the extent they supply funds to lenders at very high rates, the Fed will be forced to boost market interest rates even higher until it is convinced that restrictive monetary policy is biting, at least to the extent that it is slowing housing.

Still another squeeze is coming from state usury ceilings. At least 18 states have limits that effectively hold mortgage interest rates to 10%. Rates in most parts of the country are already near that level. In California, which has no ceiling, the going rate is 10¾%.



Bank Board's Brinkerhoff
More government help

Too much help? Ironically, the more the government steps in to help housing with heavy doses of secondary-mortgage market support, with billions from the Bank Board and higher rates on consumer deposits at thrift institutions, the harsher the result may be. This is because many Fed watchers are convinced the central bank turned the corner toward recession with its sharp November rate boost and that it will have no choice now but to push rates higher until its policy shows results.

So far, the government's traditional mortgage-support institutions are indicating they will supply funds at high levels.

"We will do about $7.5 billion in mortgage market participations this year and plan on $7 billion to $9 billion next year," says Philip Brinkerhoff, president of the FHLMC. And Bank Board officials suggest they may be willing to go up to $40 billion in outstanding advances or loans to S&Ls, from $29 billion now.

No one knows at what level high interest rates do damage to the economy until it is too late, of course. But if the Fed moves another ½% to ¾% on market interest rates—bringing them to 10.75%—it may not do too much more real damage. But if it increases rates to 12 and 13% levels, then housing, once it turns down, could have a very difficult time recovering.

—BOB DOWLING
McGraw-Hill World News, Washington

How inflation benefits the homebuyer

The economist Henry Kaufman has pointed out the benefits that inflation now brings to the buyer of a new home.

Kaufman is a respected interest-rate analyst and a partner in Salomon Brothers, the New York investment banking concern. He gave his analysis in a speech to the American Bankers Association's convention in Hawaii.

The average home has appreciated substantially in price, Kaufman explained, rising from a starting cost of $37,000 in 1973 to $65,000 in September 1978. To an individual in the 30% federal income tax bracket, the one-year net benefit from the purchase of a home at the start of each year, after allowing for mortgage interest payments, would have been $1,100 in 1973 and would have risen to $3,800 so far this year.

This would imply a return on the homebuyer's equity of 11.1% in 1973. And for the individual who bought as late as the start of this year, there would be an appreciation equal to 21.3% of original equity.

INFLATION AND NEW HOME OWNERSHIP
(in thousands of dollars)

Year	Average price of new home	Average loan amount	Conventional mortgage rate[1]	1st Year mtge. cost before tax	Net benefit *after tax* and interest[2]	Implicit return to equity[3]
1973	37.1	28.1	7.9%	2.23	—	—
1974	40.1	29.8	8.9	2.66	1.14	11.1%
1975	44.6	33.3	9.0	3.00	2.40	21.2
1976	48.4	35.9	9.0	3.23	1.54	12.3
1977	54.3	40.5	9.0	3.65	3.35	24.3
1978 (Sept)	64.7	46.8	9.7	4.55	3.81	21.3

[1]National average contract rate plus initial fees and charges for all leaders.

[2]Net benefit to homeowner in the first year of ownership is the difference between price appreciation and mortgage interest cost after tax, assuming a 30% marginal tax rate.

[3]Equity is the difference between the average purchase price and loan amount.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U.S. Home issues mortgage security

The company becomes the first builder to issue mortgage securities with its own name—not that of an underwriter—on the instrument.

The bold new move may show the way for other builders to raise money to finance their own home sales.

The $15-million private issue by U.S. Home Acceptance Corp., a subsidiary of the parent's wholly owned U.S. Home Mortgage Corp., has already been bought up by two unnamed life insurance companies and a savings and loan association in Buffalo, N.Y.

Proceeds will go, the parent says, to buy 90% and 95% conventional mortgages on single-family houses built by U.S. Home. It is these loans that will back the securities.

Standard & Poor's, the New York securities rating firm, granted the issue its highest rating—AAA.

Two-edged sword. According to Issac Heimbinder, USH secretary and vice president of legal affairs, the private issue is a two-edged sword.

"We obviously wanted to protect ourselves against the tightening of credit," says the man reported to be the brains behind the concept. "But the issue had to dovetail with the kind of business we do."

The bulk of the buyers of USH homes are, says Heimbinder, "first timers who, in today's financial climate, don't have the connections at S&Ls to obtain reasonable monthly payment schedules."

Monthly payments, not high landing rates, are the stumbling block for many young buyers. "And because, unlike S&Ls, we're not subject to Federal Home Loan Bank Board restrictions, we'll be able to make new mortgages such as Canadian roll-overs and flip mortgages available for these buyers."

Limits. There are restrictions. "No more than 50% of the pool can go for 95% mortgages," Heimbinder says. "The rest must be 90% or lower. That should give us a big edge on builders whose buyers must obtain their mortgages from S&Ls, which generally don't go above 80%—and that's for their best customers."

And no more than 50% of the mortgages can go to homebuyers in the same state.

The beginning. Heimbinder planted the seed for the MBS in 1977.

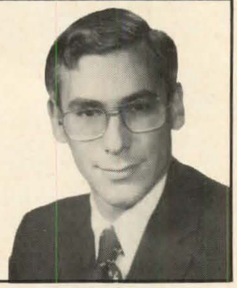
To win S&P's highest rating, U.S. Home Acceptance borrowed money to invest in single-family mortgages, which were then pledged as collateral against the loan.

"Those factors, combined with a blanket private mortgage insurance policy equal to 7% of the principal, a cash reserve fund of 4% of the principal and a debt-service cash reserve of just over 1% gave us 112% coverage," Heimbinder notes, "and eventually the AAA rating."

Wave of the future. Will U.S. Home's way become the way of all big builders?

"It wouldn't surprise me," declares Heimbinder. "On the surface, there's no reason why companies like Ryan Homes or Kaufman & Broad couldn't

U.S. Home's Heimbinder *'Protect ourselves*



do something similar. I am afraid that, because of its complexity, a private issue of this magnitude may be limited to big builders only."

Wall Street. While shares of U.S. Home common are holding steady at around $10 apiece on the New York Stock Exchange, Wall Streeters are applauding the company's precedent-setting move.

"It's super," says analyst Carmine Muratore of Blyth, Eastman, Dillon. "I don't see why other big builders don't do the same before the industry starts moving downward."

Nearly four decades ago, to provide easier credit for depression-era car buyers, General Motors formed the General Motors Acceptance Corp. For years, builders have looked for a way to break their industry's periodic plunges.

Will U.S. Home, which bills itself as "the nation's largest on-site manufacture of single-family homes," be homebuilding's GM?

"No, no, no," chortles Heimbinder. "Sometimes we joke that all we have to do is erase 'GM' and replace it with 'U.S. Home' in front of 'Acceptance Corp.' and we'd have the same thing. But, no, we're no General Motors. Not yet, anyhow." —TOM ALLEN

Variables still up in air

Key members of the House and Senate have once again warned the Federal Home Loan Bank Board not to permit variable interest rate mortgages until Congress gives a final decision on the issue next year.

The move follows renewed speculation that the agency is leaning toward

Senate's Proxmire *'Unfair to consumers'*

permitting the mortgages for California's federally chartered savings and loan associations. State-chartered S&Ls and commercial banks in the state already make widespread use of the mortgages, and California federals have been the most persistent among the S&Ls around the country in asking for equal powers.

Evasion in Congress. Variable mortgages, which permit mortgage interest rates to fluctuate with market interest rates, were one of the hottest financial issues Congress faced this year. But in the closing hours of the 95th Congress, the members ducked the VRM by refusing to take it up with a major package of financial legislation that passed in the wee morning hours. That has left the VRM debate unresolved in the minds of the federal S&L regulators,

18

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P.O. Box 11700
Tacoma, WA 98411

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who insist that, rather than suffering a defeat in the closing hours, they were left in limbo by Congress's refusal to act.

Some Federal Home Loan Bank Board officials have even gone so far as to claim that Congress's failure to act was a plus for the VRMs.

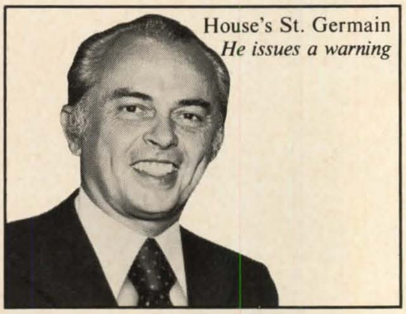
Warning to HLBB. "We see it as positive," says Kenneth R. Biederman, director of the HLBB's office of economic research. To scotch such talk, four key opponents of the mortgages, Representatives Fernand J. St. Germain (D., R.I.), Frank Annunzio (D., Ill.), Henry S. Reuss (D., Wis.), chairman of the House Banking and Currency Committee, and Senator William Proxmire (D., Wis.), chairman of the Senate Banking Committee, warned the HLBB's chairman, Robert H. McKinney, in a recent letter to "take no action" on the mortgages while Congress is adjourned. Proxmire renewed his criticism of the variables, calling them "grossly unfair to consumers."

While HLBB officials have backed down quickly in the face of previous congressional threats, this time will be harder because of increasing cost pressures on savings associations from short-term interest rates. The first batch of money-market savings certificates, issued at 8%, come due this month, and federal officials expect a number of savings associations to renege on renewing them at 9% or better yields. Because of their indexed rates, state-chartered S&Ls and commercial banks in California may stay in the market, however. They can pass their costs along with variable mortgage rates. And that will be dramatic evidence of how VRMs help housing, one HLBB official maintains.

How buyer pays more to pay less
Monthly payments, $40,000 mortgage, 30 years

Year	GPM, up 7½% a year for 5 years	Variable, up ½% a year for 5 years	Conventional mortgage
1	$254.86	$321.85	$329.07
2	273.99	336.12	329.09
3	294.54	350.35	329.07
4	316.63	364.54	329.07
5	340.38	378.66	329.07
6 thru 30	365.91	392.71	329.07
Total	**$127,539.00**	**$138,831.00**	**$118,465.00**

Source: Federal Home Loan Bank Board, Washington


House's St. Germain
He issues a warning

Opponents. The VRMs are strongly opposed by consumers and labor, but they too will have a harder time defeating the mortgages in Congress next year as long as high interest rates and strong housing demand persist. In fact, had it not been for some fancy footwork by opponents who cut them out of legislation in the closing hours of Congress, there was at least half a chance the VRMs might have made it.

—BOB DOWLING
McGraw-Hill World News,
Washington

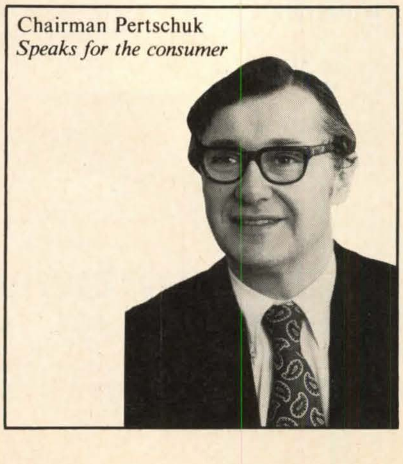
An early-warning rule for mortgages?

Chairman Michael Pertschuk of the Federal Trade Commission wants to strengthen the disclosure requirements for residential mortgage transactions to ensure that lenders have a clearer understanding of loan terms before they go to settlement.

Testifying before the House subcommittee on consumer affairs, Pertschuk said he supports a proposal by the Federal Reserve Board for better advanced disclosure. He said the Fed's plan would make truth-in-lending legislation an effective shopping mechanism for credit for the first time.

The Fed's proposal is similar to standards that already exist in the Real Estate Settlement Procedures Act. It would require that, three full days before any settlement, the buyers would receive an estimate of any credit terms to be written into the mortgage.

Advance notice. Most efforts to improve the Truth-in-Lending Act, Pertschuk testified, have "overlooked the fact that the consumer does not get disclosures until immediately before the signing of the contract—a practice which makes them all but useless to the consumer for comparison shopping purposes." Firm credit terms, he added, should be made available to consumers 24 hours before consummation of any credit contract.


Chairman Pertschuk
Speaks for the consumer

Staffers for the FTC say that estimates on mortgage credit terms would have to fall within certain limits or borrowers would be permitted to back off from the purchase.

A 10-year review. The hearings were held by the subcommittee to determine if the Truth-in-Lending Act is giving consumers the help Congress intended when it passed the measure 10 years ago. One bill, already passed by the Senate, would reduce compliance costs for creditors, but Pertschuk is urging that action be taken to have the bill better serve consumers with such measures as more defined prior disclosure.

—MIKE MEALEY
McGraw-Hill World News,
Washington

Now all Nord 2000 Series uncarved entry doors are available with Weatherbond(TM) panels.

Now, for the first time, all of Nord's popular 2000 Series entry doors are available with Weatherbond panels. The illustration shows the installation of a double entry with the Nord 2060 panel design. There are fourteen additional distinctive designs, each available with the exclusive Weatherbond panels that will never split through. Never. The secret is the laminated inner core which makes the panel weather-resistant. Laboratory and field-tested, Nord Weatherbond panels are built to withstand the toughest extremes of climate.

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How they buy houses at today's prices

Nearly two-fifths of all homebuyers last year broke with an ancient tradition—they paid more than 25% of their incomes for housing.

This trend, says economist Dennis J. Jacobe of the U.S. League of Savings Associations, may spare builders from bearing the brunt of the next recession.

A League study, "Homeownership: Affording the Single Family Home,"* also reveals that 14% of last year's buyers spent more than 30% of their gross incomes on housing.

Jacobe, who directed the study along with the league's assistant economist, Thomas J. Parliment, explains what the trend means in marketing terms for builders:

"Buyers, especially in the bigger cities, are still wrapped in the inflation psychology. They're getting the home they want now, not later, and they're willing to break some time-honored rules to afford it."

Yet, he adds, to afford new homes, homebuyers must cut back in other areas.

"What they're cutting back," Jacobe notes, "is the amount spent on consumer goods. So, for a change, when the economy begins to turn sour sometime next year it will be the consumer goods area instead of housing that will lead the dive."

The tradition breakers. The study found that about one-third of the buyers willing to break with tradition in '77 were first-timer buyers with incomes under $15,000. Almost half of those breaking the 25% barrier had incomes in the $15,000-$25,000 range. Less than a fifth of those surveyed had annual incomes over $25,000.

The rule of thumb stating that a borrower's annual housing expense (mortgage payments, real estate taxes, hazard insurance and utility costs) may not exceed 33⅓% of his annual income has also been disregarded by an increasing number of inflation-era homebuyers.

The study revealed that almost one-third of all buyers carried housing expenses and debt payments that topped 40% of gross income. In fact, about half of those earning under $15,000 exceeded both the 25% and 33⅓% ceilings.

Percentage of buyers exceeding 25% and/or 33⅓% rule

Metropolitan area	% of buyers exceeding one or both rules	% making less than $25,000 exceeding one or both
Large		
Chicago	35%	56%
Houston	55	67
Los Angeles	53	77
New York City	36	73
San Francisco	53	82
Washington	38	76
All metro areas with populations of 1.5 million or more	50%	64%
Medium-sized		
Columbus, Ohio	47%	58%
Hartford, Conn.	49	60
Peoria, Ill.	60	74
Portland, Ore.	44	62
Richmond, Va.	39	53
Rochester, N.Y.	31	40
All metro areas with 250,000 to 1.5 million	49%	64%
Small		
Burlington, Vt.	46%	58%
Macon, Ga.	51	68
Marysville, Kan.	47	58
Morristown, Tenn.	50	58
Portland, Me.	31	36
Yakima, Wash.	33	48
All metro areas with less than 250,000	45%	56%
All of U.S.	**48%**	**62%**

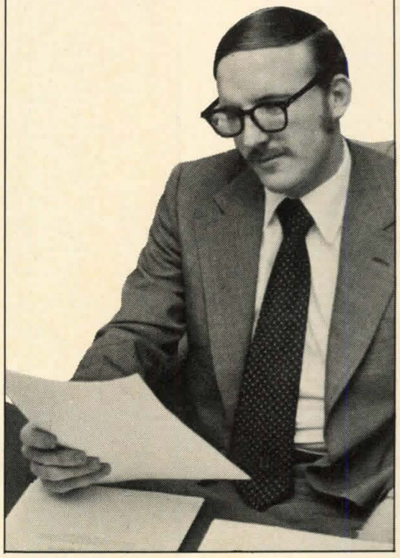
Source: U.S. League of Savings Associations

Not surprisingly, buyers in the largest cities broke both rules most often.

Support for the industry. "The middle class has risen to the occasion," Jacobe declares. "Its willingness to take a calculated gamble has fueled the entire housing industry when many so-called experts expected a drop-off in starts."

The league study, he contends, shows that housing starts should hover around two million for at least another year.

U.S. League's Jacobe
Good news with a warning



"When the recession comes—as it will within a year—the demand for housing won't go away," Jacobe declares. "For the last year or so we've been able to take advantage of the pent up demand left over from 1973-74. Until around 1990 we'll enjoy the effects of the baby boom—in theory, at least."

Yet the same homebuyers who've been the bulwark of the housing industry today may hamper it tomorrow.

The short-term effect of the buyer's willingness to carry heavy debt "is positive," Jacobe says, but the future—beyond a year or two—may be another matter.

Warning. "While the demand will be there for a couple of decades," the economist cautions, "I wonder what will happen in four or five years when families who broke with tradition last year want to move up. If inflation is still with us, they may not want to assume an even bigger debt load for that larger, more expensive home.

"Instead, they may just stay put. The first-time buyers on the lower end of the middle-income scale may elect not to buy an expensive single-family home and may choose a condo instead. If the cost of a new home continues its upward spiral, urban rehab may pick up the pace and the reverse migration from the suburbs may increase in future years." —T.A.

*Available from Central Billing, U.S. League of Savings Associations, 111 E. Wacker, Chicago, Ill. 60601, for $10.

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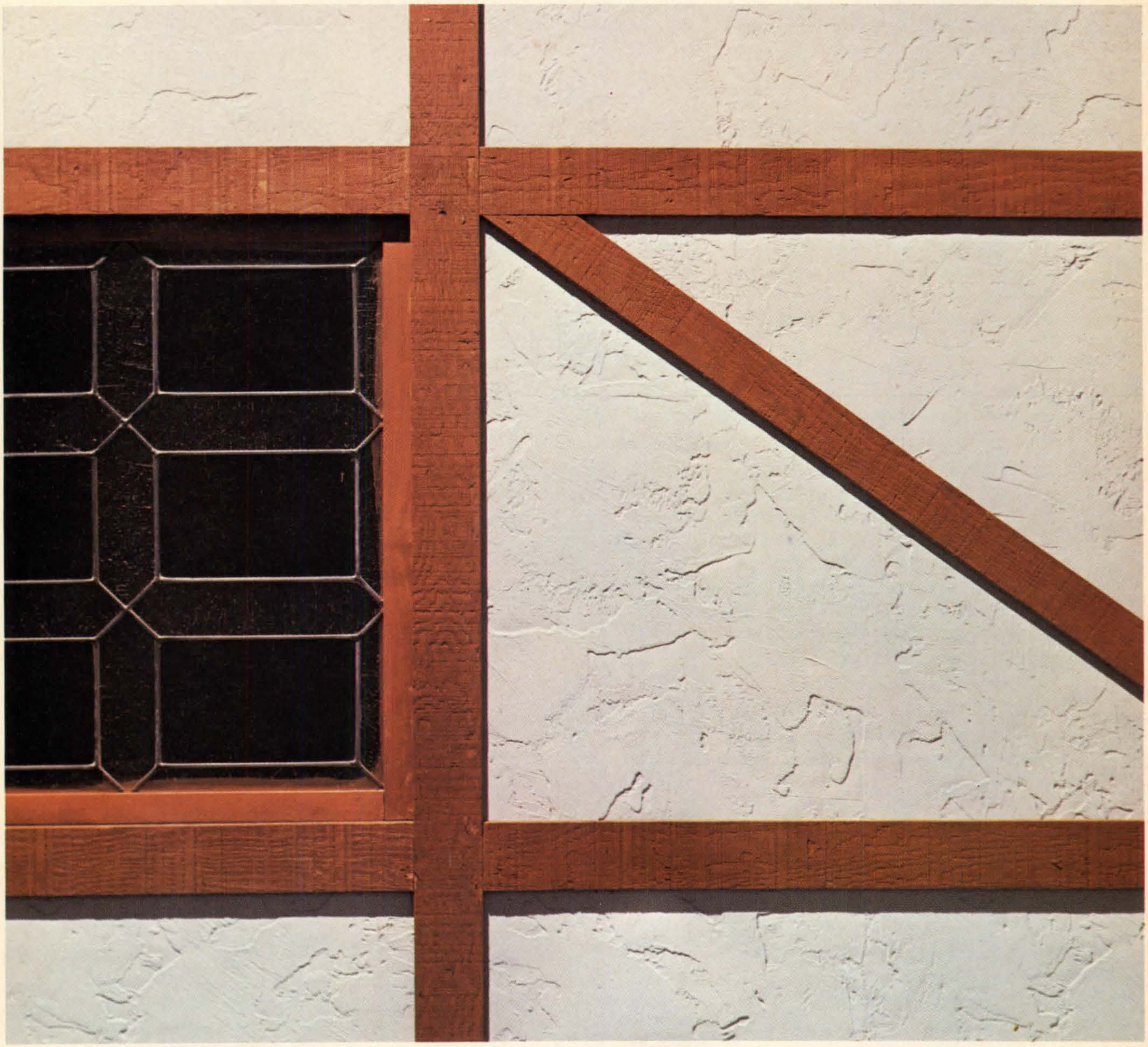

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Building dream houses: A success story

The Housing Capital Corp. has been a sleeper of a success story for all of its first three years. It is quietly and efficiently providing a new source of money for the small builder who builds for the small family.

A division of the National Corp. for Housing Partnerships, HCC has, according to its president, William A. Schainker, committed $19 million in front-end capital to single-family builders in 22 states since 1975.

The bulk has gone to small and medium-volume builders of $50,000-$60,000 homes for young and married first-time buyers.

Why first-timers? "We'd rather lend for projects aimed at people at the base of the pyramid," Schainker declares.

"For these people the single-family detached is still a dream, one that they're willing to spend a big portion of their disposable income to achieve."

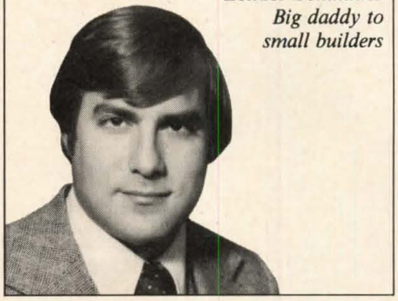
Results. Schainker estimates that HCC financing has helped put around 8,900 single-family homes with a market value of $551 million in the construction pipeline, and he emphasizes: "These are homes that might not otherwise have been built."

The financing, he explains, is a combination of equity investment and subordinated loan that may be used "by builders with good track records but short on funds" for land acquisition, plans, engineering, off-site improvements, loan fees and bonding.

The risk capital, he explains, is subordinated to the construction and development financing obtained by builders from mortgage lenders. The HCC receives repayment of its loans from the return on home sales.

While the HCC's joint-venture projects range from eight units to a 350-home subdivision in West Covina, Calif., Schainker says that a job of about 100 units "is our bread and butter." For the bigger projects, he notes, "about a $400,000 committment is our ceiling."

Builder qualifications. Repeat business, he says, is the key to success so far.



Lender Schainker
Big daddy to small builders

"We're looking for a long-term relationship with our joint-venture partners," he explains. "About 40% of our business is with former clients.

"The more these builders come back, the more our risk diminishes. We've put together a good, stable bevy of small to medium-sized builders. These guys have proven they can bear the ebbs and flows of the industry, and that will be important to them and to us in the next few months."

Schainker, a Washington real estate attorney by background, says the HCC has helped finance some condos and townhouses and will continue to do so.

But we'll stick primarily to single-family," he explains. "We're not going to be the ones to introduce the joys of townhouse living to Butte, Montana, for instance."

An extra. For the small builder, Schainker says, "the acquisition of Housing Capital as a partner is often just as important as the additional equity.

"The financial strength of the partnership generally makes lenders look more favorably on construction-loan terms and other conditions."

Levitt's men march out of Maryland...

...and an era ends with neither a bang nor a whimper

After being tagged with 3,500 building-code violations in its 122-home Northview subdivision in Bowie, Md., Levitt Housing Corp.—the abridged version of Bill Levitt's old Levitt & Sons—voluntarily surrenders its Prince George's County building license.

So ends the once-perfect union that blossomed when Bill Levitt converted the 2,226-acre Belair estate in Bowie into 10,000 classic Levitt colonials and sold them at $13,500 each. At such prices, that had to be some time ago. It was, in fact, in 1961. The same houses bring $50,000 to $70,000 today.

Threat from county. Levitt Housing, now a subsidiary of Starrett Housing Corp. of New Greenwich, Conn., gave up its right to build after county authorities threatened to revoke its license.

The county's permits director, James Novak, says Levitt is the biggest but only one of several building companies that have had their licenses revoked or have given up attempting to build in Prince George's.

County inspectors say they discovered code violations in Northview that included improper vents in kitchens and bathrooms, windows that were too small, roofing material cut too short and thin, and inadequate weatherproof sealing material between brick walls and foundations. Novak says that about 70% of the violations were corrected, but he also claims that the county confronted Levitt and Starrett executives with allegations of consumer fraud during the marketing of Northview Estates.

The county, Novak says, plans no further action against Levitt.

Monument. Between 1961 and 1975 Levitt & Sons and its successors—ITT Levitt and Levitt Housing Corp.—built nearly 20,000 homes in Washington's Maryland suburbs.

Bill Levitt, for $92 million, sold Levitt & Sons to ITT in 1968 and phased himself out of its operation. After losing around $400 million in 1968-71, ITT signed a consent decree under which it divested Bill Levitt's brainchild. Last spring the company, a shadow of what it once was, was acquired by Starrett. Levitt & Sons, a $162-million company in '68, was purchased for $30 million. —T.A.

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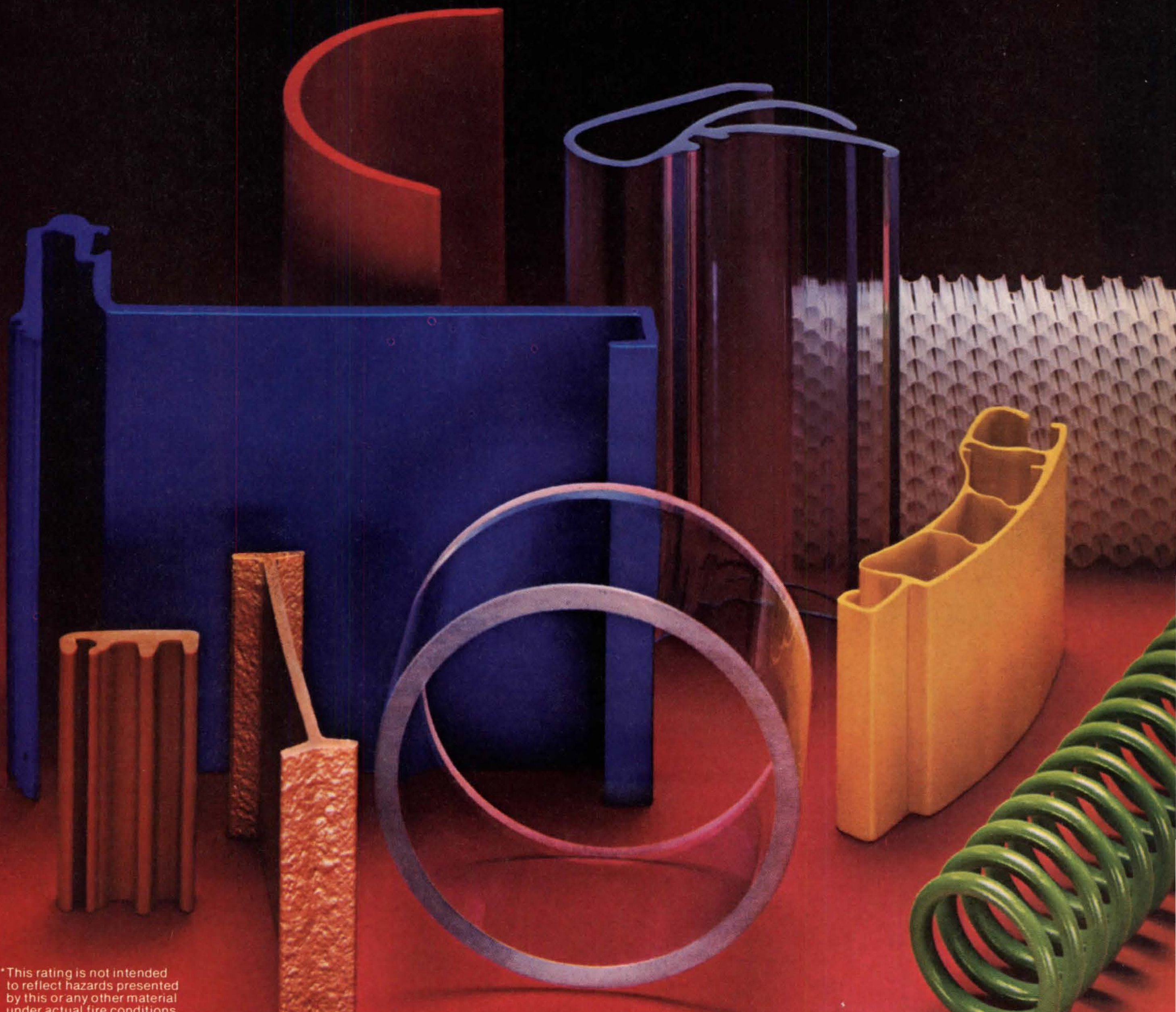

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Builders win site-search safeguard

Builders may have picked up new ammunition to use against local code inspectors when the U.S. Supreme Court told businessmen last May they could bar their factories to federal safety inspectors who had no search warrants.

The U.S. Court of Appeals in Philadelphia has held that the Supreme Court decision, involving the Occupational Safety and Health Administration, means that lower courts have to rethink the entire concept of inspections that are not conducted under specific approval from a judge.*

A second, little-noticed decision came from the high court the week after its OSHA decision. This second ruling held that arson inspectors needed a warrant to return to the scene of a fire well after the initial blaze was put out, and it confirmed the need for new approaches to all warrantless searches, the circuit court said.

Builder's appeal. The ruling came in a homebuilder's appeal from a district court decision that had endorsed the right of township building officials to inspect an uncompleted house any time during regular working hours. The township had adopted the basic building code of the Building Officials and Code Administrators International, which authorized such warrantless probes, but the builder claimed the provision violated the fourth amendment prohibition on unreasonable searches.

The appellate court suggested that the Supreme Court endorses searches without prior judicial approval if there is a "compelling need for official action" or "a long tradition of close governmental supervision" in the industry. It sent the case back to the lower court to see if either of those exceptions fit the case of inspectors looking for code violations. If not, the opinion implied, builders could insist on the time-consuming practice of procuring warrants before admitting inspectors.

*Frey v. Panza, U.S. Court of Appeals, 3d Circuit, Philadelphia, Aug. 31.

Condo escalator ban survives in Florida

A fight by condominium lessors against a Florida ban on some escalator clauses has been dealt a second defeat.

The U.S. Court of Appeals in New Orleans has just upheld the earlier decision by a trial court in Florida that the real estate developers have no constitutional basis for their suit.**

Under attack was the provision of the Florida law that prohibits escalator clauses tied to such national price measures as the consumer price index or a measure of commodity costs.

Lessors insist the ban is so irrational that it denies them due process of law and puts them under unfair strictures that do not apply to other businesses. But the district court did not even let the issue go to trial, saying that, on its face, the condo law seemed to make sense given the legislature's legitimate objectives of curbing inflation and controlling abuses in the condominium trade.

The lessors argued in New Orleans that they should have had a chance to show that, no matter what the law looked like in theory, it was unfair in practice. But the appellate judges ruled that, since they had not offered to present such facts to the trial court, they had missed their opportunity, and the ban on escalator clauses would stay on the books. —DAN MOSKOWITZ
McGraw-Hill World News,
Washington

**Schlytter v. Baker, U.S. Court of Appeals, 5th Circuit, New Orleans, September 22.

Housing's Phil Jackson leaves the Fed

Former mortgage banker Philip C. Jackson Jr. has resigned from the Federal Reserve Board with four years of his term remaining. He gave personal reasons for his departure.

Although Jackson usually supported the kind of restrictive credit policies that housing markets fear, he was regarded as the housing industry's voice with the Fed because of his mortgage background.

OSCAR

Fed's Jackson
A case of frustration?

He was a vice president of the Jackson Co., a family-owned mortgage banking firm in Birmingham, Ala., before being named to the Fed in 1975 by President Ford. He had also been president of the Mortgage Bankers Association of America.

Opposition to regulation. "Phil's major contribution to housing was in the regulatory area," said one mortgage industry official. "He fought hard to prevent more regulation of the industry like the Community Reinvestment Act."

Jackson himself suggested that the frustrations of being a government regulator may have hastened his departure. He said in a recent interview that the government should be willing to tolerate "small evils or small catastrophes without putting massive constraints on the freedom of all citizens." He was referring to new rules for lending in the cities, which he opposed.

"Government is not supposed to be an activist. I didn't feel that was supposed to be my role," he said.

Loss of a spokesman. Jackson's departure leaves the Fed without a member closely identified with housing, although Chairman G. William Miller, a former corporation head, says one of his chief goals is to avoid crushing housing as the Fed moves to tighten credit. —R.D.

housing

PRESENTS...

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So registrations must be accepted on a first-come, first-served basis, and all registration fees must be received no later than two weeks before the start of the seminar you wish to attend. Last year we were forced to turn down several late registrations, so we urge that you register as soon as possible.

These marketing experts will conduct your classroom sessions

Kenneth W. Agid is Chairman of the board of Market Profiles, a market research and market planning firm based in Irvine, California which conducts feasibility studies recommending product design concepts that optimize development and construction opportunities, and provides marketing consultation on merchandising and sales programs. Prior to joining Market Profiles he was Vice President of the Irvine Company of Orange County, California. In this capacity he was responsible for a marketing program which produced annual sales of more than 1,500 units, ranging in price from $30,000 to $200,000 and valued at better than $100 million. He is recognized as one of housing's foremost experts on market segmentation.

Carole Eichen is president and founder of Carole Eichen Interiors Inc., one of the first firms in its field to stress the warm, lived-in look for production-house models. In the last 13 years since she began her design practice, she has designed more than 8,600 room settings for some of the country's leading homebuilders. A member of Housing's board of contributers, she is also the author of "How to Decorate Model Homes and Apartments," published by House & Home Press.

Lester Goodman is president of Lester Goodman Associates, a marketing-services company that specializes in marketing research, planning and consultation for residential builders. Mr. Goodman has spentover 20 years in the housing field. He has been responsible for the marketing and sales of more than 30,000 units for many builders throughout the United States and Canada. Mr. Goodman is immediate past president of the New Institute of Residential Marketing, an organization developed by NAHB to provide educational programs, and has been for 14 years a lecturer on marketing for the University of California at Los Angeles and Irvine, and California State University.

William E. Mitchell is executive vice president of Weatherfield Homes, a housing company currently building in California's Los Angeles County and booming Orange County. He was the founder and former president of Market Profiles, a marketing and merchandising consulting firm, and has also directed marketing and sales operations for major building and real-estate companies.

Walter J. Richardson, FAIA, is president of Richardson-Nagy-Martin, the 20-year old Newport Beach, California, architectural and planning firm. The firm has projects in 25 states and four foreign countries and has received over 30 national and regional awards. Mr. Richardson is a registered architect in ten states and has headed his own firm since 1958.

He is a past chairman of the American Institute of Architects' National Housing Committee and a past president of the Orange County Chapter of the AIA.

To see how to register, please turn the page

The California Marketing Scene

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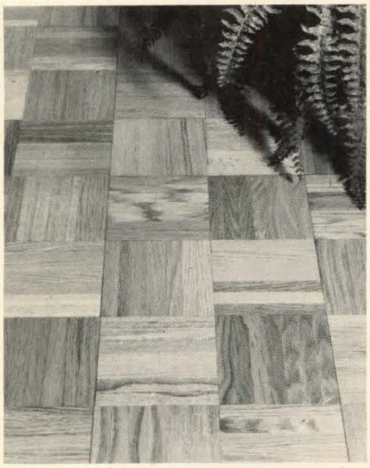

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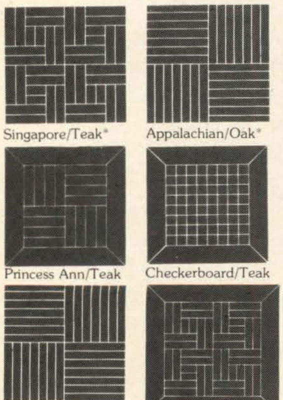

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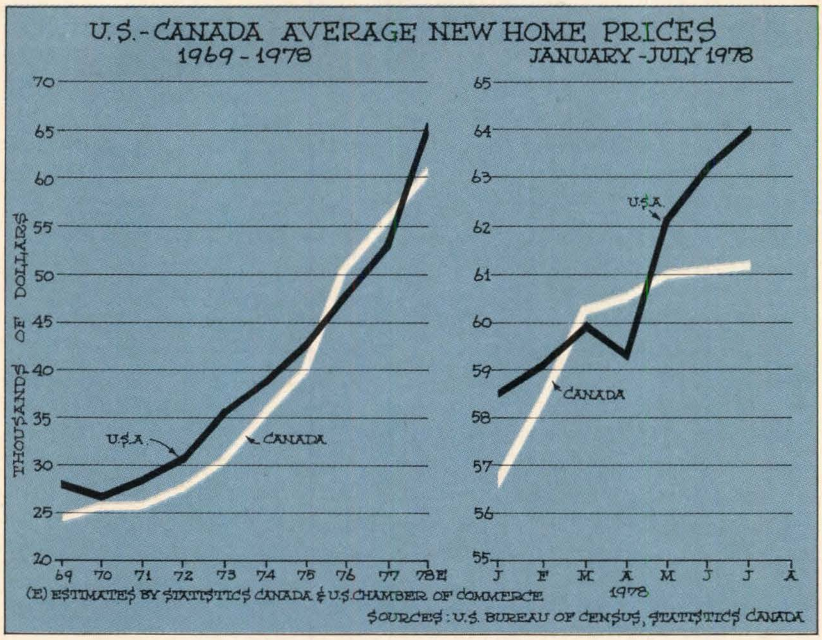


House prices: We lead Canada again

Departing from a three-year trend, the average price of a new house in the U.S. will nose ahead of the Canadian average this year.

By 1980, however, the two may again be neck and neck.

So says Kenneth Goldstein, author of a study commissioned by Genstar Homes of Montreal and entitled "Observations On Housing and Land Development."

The U.S. Bureau of Census's figures show the average price of a new house—with lot—at $64,000 in July, up from $54,200 at the end of last year.

"Very rough estimates" by Statistics Canada, a government bureau in Ottawa, put the Dominion's average price at $61,200 on July 1. The average last December 31 was $55,517.

By 1979-80, Goldstein's Genstar study says, the average prices will be nearly identical.

Price factors. Goldstein, who's president of Communications Management Ltd., a Winnipeg-based consulting firm, says the reasons for the reversal of the U.S.-Canadian positions go back several years.

The States, he explains, "suffered a serious recession in '74-'75. While there was a slowdown up here, it wasn't as long or severe and it lasted only one year, 1975."

From '76 to the present, he notes, "the American economy has outperformed ours, with higher real growth. During the same period, the unemployment rate has been rising in Canada while dropping in the U.S.

"We expected, on the basis of economic indicators, that housing demand would push prices up more in Canada than in the U.S. in '74 and '75 and that's exactly what happened."

The price race. According to Statistics Canada, the Canadian average edged past the U.S. in 1975 by $42,794 to $42,600 and remained ahead, $50,517 to $48,000, in 1976.

Now, however, although both economies are sputtering, American buyers are more readily willing than Canadians to shell out inflated dollars for new homes.

Future. Both countries experienced a postwar baby boom. Goldstein and his Genstar study note, however, that Canada's baby boom began slightly later than her neighbor's. In addition, Canada's postwar immigration wave has slowed to a trickle.

Those two factors, the study notes, have nudged Canada slightly out of sync with the U.S. in relative housing demand.

Because the Canadian kids are reaching homebuying age slightly later than their U.S. cousins, the demand for new homes in the 25-34 age group should peak in Canada during the next two years.

Goldstein expects that both American and Canadian builders will harvest the fruits of the baby boom until the latter part of the 1980s, but that Canadian demand will then ease.

Interest rates. Canada's mortgage rates, which peaked at over 12% two years ago and now hover at 10.5%, have put a damper of sorts on housing.

The rates, which have risen 33% in a decade, have helped generate a 100% leap in housing prices and a 150% jump in homeowners' monthly payments. The study says the cost burden has driven off many potential buyers.

Overregulation. The study also criticizes government red tape and overregulation at all levels.

In Canada, as in the U.S., higher environmental standards and service requirements have raised land and new-home prices.

But the study notes that there may yet be a useful role for government in the struggle against rising housing costs.

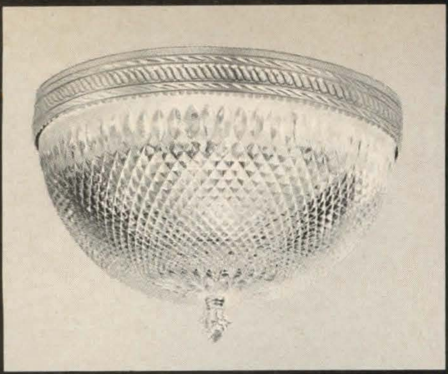
"Trunk servicing," the Genstar study insists, "is one of the keys to development, and could be used by government as a catalyst to bring more serviced lots onto the market more quickly."

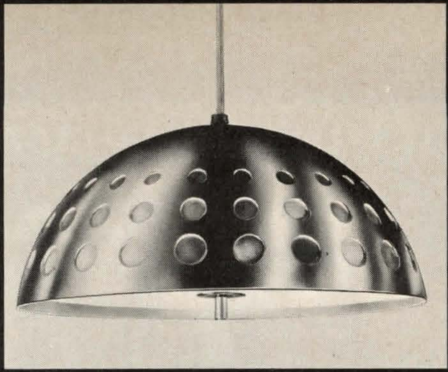
Like U.S. developers, Canadians are hard pressed to meet the financial demands of service installation and are increasingly reluctant to buy and develop land.

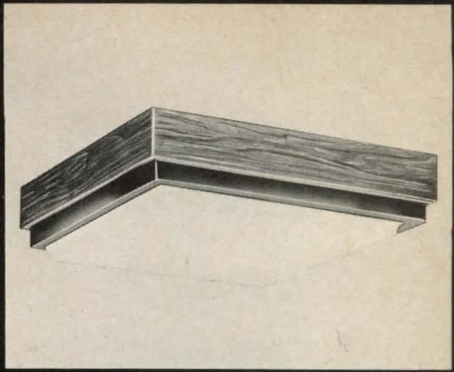
The problem might be solved, the study suggests, if publicly financed services were put in place in several areas simultaneously within the same locality. Acting in concert with federal housing agencies, local governments could arrange for quick installation of services. Financing would be accomplished at rates lower than those available to private developers.

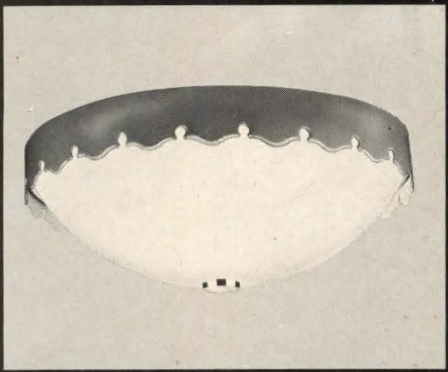
Development costs would then be lower and the savings could be passed on to the homebuyer.

Genstar Homes, a subsidiary of Genstar Ltd., is a management vehicle coordinating the operations of Genstar Development Co., Broadmoor Homes Inc., Genstar Homes of Texas Inc. and Keith Construction Co. Ltd. —T.A.

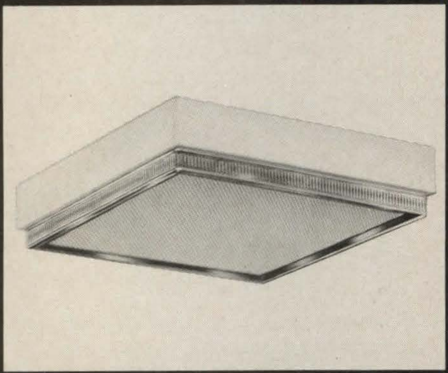

P7394 Lead crystal bowl

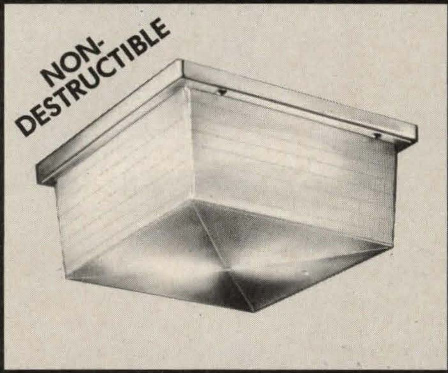

P7396 Perforated aluminum pendant


P7117 Walnut grain finish

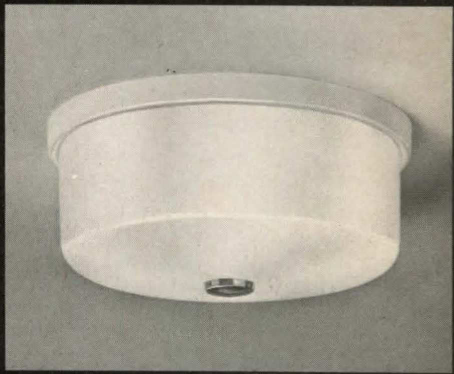

P7393 Harvest gold trim


P7384 Decorated textured glass


P7106 White & brass finish



P7383 For rough-duty areas


P7398 Cased glass, white trim

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Housing Partnership promotes five

The National Housing Partnership's Washington headquarters moves to open four or five field offices to stimulate low and moderate-income housing.

William D. Comings Jr. is promoted to executive vice president in charge of multifamily development and **Robert L. Tracy** to senior vice president in the expansion program. **William A. Schainker** becomes a senior vice president of NHP in recognition of his growing responsibilities as head of Housing Capital Corp., the subsidiary through which NHP joint ventures with single-family builders. *(Details of program, page 24.)*

Douglas Noakes is named president of Capital Homes, the direct-development subsidiary of NHP for Washington-Baltimore. He was a vice president of Fletcher Properties, Jacksonville, Fla. **Brooks R. Palmer** becomes an executive vice president of Capital.

BUILDERS: The Long Island Builders Institute elects **Andrew Rafuse** of Point of Woods Homes, Old Westbury, as president to succeed **Barnett Maller,** who becomes chairman.

Gary L. Pollard is named marketing director for the housing division of Development Corporation of America in Hollywood, Fla. He had been vice president of sales for Weyerhaeuser's Babcock Co.

Leisure Technology's president, **Michael L. Tenzer,** announces the promotion of **Michael E. Nocket** to vice president of development operations. Both Tenzer and Nocket are Larwin grads. Nocket has been building custom homes in southern California since 1975. **Robert H. Williamson,** former executive vice president of the New Jersey Shore Builders Assn., becomes a vice president of planning for Leisure Tech's Jersey division.

Meir Yariv is named general manager of construction for the Los Angeles-based builder Goldrich & Kest and subsidiary Prestige Homes. He had been the construction superintendent.

The L.B. Nelson Corp., Menlo Park, names **Jerry A. Finch** as its northern California division chief. He succeeds **Colburn A. Jones,** who resigns to establish his own building company.

Elsewhere on the Coast, **Robert J. Grenoble** is appointed executive vice president of the San Diego Building Contractors Assn. He replaces **Michael D. Durick,** who leaves to form his own company.

CHASE

NHP's Comings . . .
New executive v.p.

. . . and Tracy
New senior v.p.

Diamond West Development, in Westlake Village, Calif., names **Hugh Conser** as president of Diamond West Development of Hawaii, a new subsidiary; he had been a vice president of Diamond West. **R. Brent Clark** replaces Conser.

International Community Corp. (Greenvale, N.Y.) gets a new executive vice president. He is **Nelson C. Kamuf,** former senior vice president of Levitt and Sons.

Kim Boutelier succeeds **James E. Lenon Jr.** as director of sales and marketing at American National Housing Corp. of Newport Beach, Calif. Lenon leaves to form Lenon Realty in Ontario, Canada. Boutelier had been general sales manager.

Beacon Homes Inc. (New Port Richey, Fla.) appoints **Charles A. Retchless** vice president for their northern division. He had been a vice president for U.S. Home in Clearwater.

Jack Burke is named a vice president of Covington Brothers, Fullerton, Calif. He joined this year as director of joint ventures.

In North Little Rock, Ark., **A. Roland Holt** is promoted to vice president and general manager of housing operations for Winrock Homes in central Arkansas.

DEVELOPERS: James D. Stout is named president of Daon Southwest, Newport Beach, Calif., a division of Daon Development Corp., Vancouver, B.C. He has directed operations of Daon Corp. since its formation in 1976.

LENDERS: The National Savings and Loan League elects **Harold W. Greenwood Jr.** and **William S. Mortensen** as president and vice president. Greenwood is president and chairman of Midwest Federal S&L, Minneapolis. Mortensen heads First Federal S&L of Santa Monica, Calif.

The Mortgage Bankers Association installs **Claude E. Pope,** president of Cameron-Brown Company, Raleigh, N.C., as president of the association.

GOVERNMENT: Loren B. Means quits as acting director of the Federal Savings and Loan Insurance Corp. He becomes chief executive officer of Depositors Savings Association in Jackson, Miss., whose reorganization he aided during his service as acting director of the federal agency.

Jobsite photo in central Arkansas shows Winrock Homes new vice president and general manager, A. Roland Holt *(center)*, with President Russ McDonough *(left)* and Robert Easley *(right)*. Easley succeeds Holt as purchasing manager.

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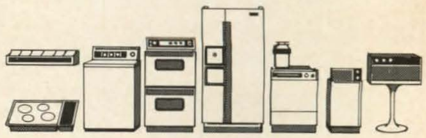

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New wire-frame house makes it in marketplace

Various non-wood construction systems have evolved in the last few years. Most have never gotten beyond the prototype stage.

But now a welded-wire and blown-cement system has been used for an entire detached-house project in Fontana, Calif. And its economies cut prices so sharply that all 57 houses sold in three hours.

(The project, New Californian Homes, offered two plans, 1,159 and 1,322 sq. ft. and $39,990 and $45,990.)

Selling at such prices makes good marketing sense in a state where the median price of new single-family houses hovers around $86,800. Hence Covington Brothers, the Fullerton merchant builder that developed the wire process in 1976, wasted no time in getting it into commercial use.

Savings. Covington claims that the system, which employs panelized and modular elements, cut construction costs at Fontana from $27 a sq. ft. (for a stick-built, wood-framed house) to $20.40.

"We saved 20% on materials alone," says George Liolios, the builder's marketing vice president. "And since we cut construction time from four months to four weeks, we saved more in labor, supervision and loan interest."

The heart of the process is a 4′×8′ framing panel composed of welded wire wrapped around a 2¼′′-thick

How Covington's system works

1. Preassembled wet-core module is set on foundation and locked into place with steel rebars that protrude from its slab. Module contains kitchen, baths, laundry room and utility systems. It passes through assembly line in four days, is trucked to site and positioned by crane.

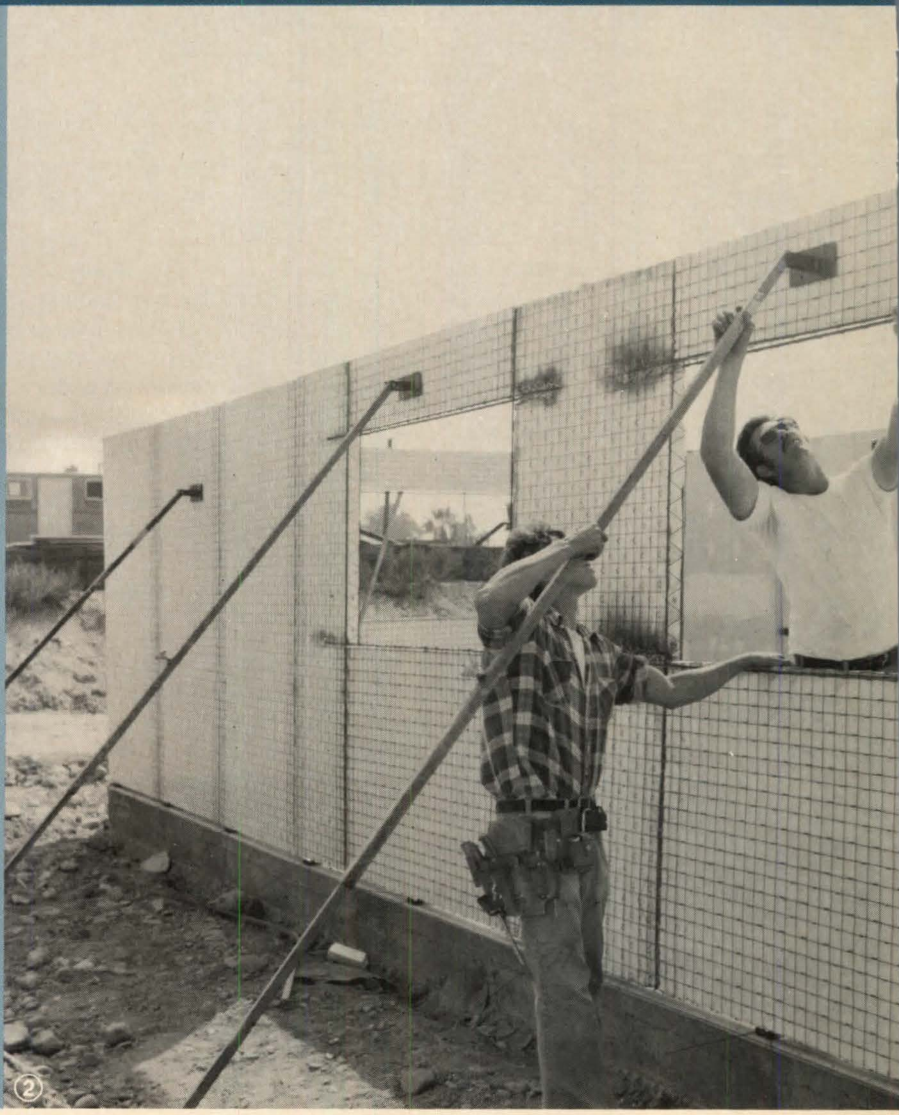
2. Wire-framed panels are locked into position on sheet-metal channels that replace wooden 2′×4′ plates. Channels, in turn, are anchor-bolted to foundation. Each 26-lb. panel has 2¼′′-thick polystyrene core through which is wound a continuous welded-wire frame. Steel rebars are placed above window and door openings for added strength.

3. Close-up of connection shows how two panels are clipped together by hog ties in a fashion similar to bedsprings. Wire trusses appear every 2¼′′ in frame, which acts as stucco screed for cement plaster.

4. Panels are shot with scratch applications of cement plaster, brown coat and color coat.

5. Completed house includes composition-shingle roof.


①


②

core of expanded polystyrene. The panels, sprayed with cement plaster in the field, replace traditional wood framing.

The panels are used with a preassembled module that contains a fully equipped kitchen, two baths, a laundry room and heating, cooling and water systems. *(See photo sequence below for details on how building process works.)*

Both panel and core are manufactured at Covington's Riverside plant. The panels were used for only the exterior walls in the Fontana homes, but the company has developed new varieties for interior partitions, floors and roofs, and it will use them in future applications.

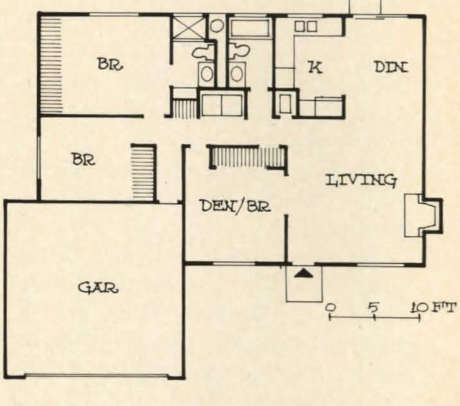
Other advantages. The module has one centralized hookup for all utilities, so plumbers and electricians can make connections in about 90 minutes. And because the framing is so simple, skilled workmen are not needed.

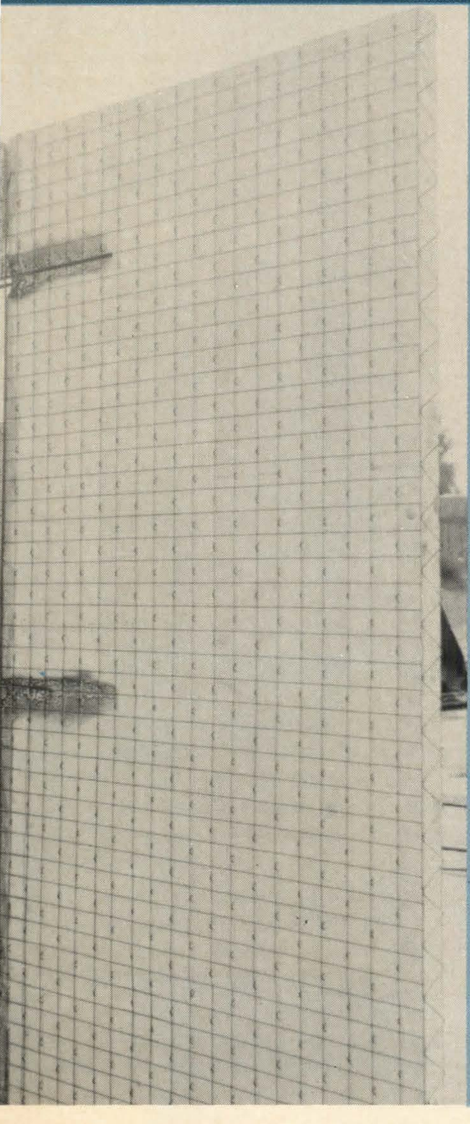
"The Fontana houses were framed by semi-skilled or unskilled laborers hired off the street," says Liolios. "We paid four dollars an hour."

Covington is using the system for 198 homes it is building in San Bernadino and Ontario, and it will use it for a 400-home joint-venture in Palm Desert. The company has also begun selling panels and cores to other builders.

"We expect to put the system into 4,000 new homes by the end of 1979," Liolios says. —J.G.C.

Best seller is $39,990-plan with two bedrooms, a bedroom/den option and 1,159 sq. ft. House was sized and priced right for young, first-time buyers who earn less than $18,000 a year.





PHOTOS: BRYAN RENNIE PLACENTIA

New energy saver?

The berm house

PHOTOS: DENNIS DAVEY

Houses like the one shown here can be heated for one-third of a conventional home's fuel bill.

The main reason: up to half of their wall area is covered by earthen berms.

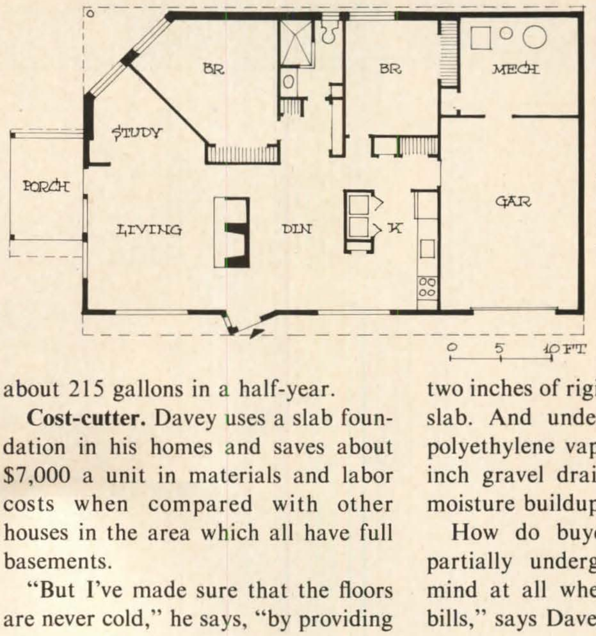
So says architect-builder Dennis Davey, who is constructing berm houses near Hartford, Conn. He has contract-designed and built three, sized from 1,428 to 2,108 sq. ft. and priced from $55,700 to $64,500, and he is building two more.

Protective cover. Davey attributes more than 60% of the houses' energy savings to his berm design. (Such features as solar collectors, extra insulation and double-glazed windows account for the rest.) The earthwork extends around three sides—only the south wall is unprotected—and rises seven feet on the vulnerable north wall.

"There's considerably less air infiltration because so much of the perimeter is under ground," Davey explains. "And infiltration is the biggest cause of heat loss in a home."

The houses' oil furnaces should burn no more than 500 gallons of fuel a year, according to Davey—roughly a third of what conventionally built homes require. He bases his estimate on the experience of his first buyer who moved in last January and used about 215 gallons in a half-year.

Protective berm reduces air infiltration through three sides of house in Tolland Township, Conn. *(see photos)*. Rooftop solar collectors for hot water and double-glazed windows also save energy. Two-by-six studs, 24-in. o.c., permit R-20 insulation in walls; ceilings have R-30.



Open floor plan *(left)*, made possible by use of roof trusses, aids air circulation. Main living area faces south for maximum exposure to sun. (Note concentration of glass on south wall.) The 1,808-sq.-ft. house sold for $64,500.

Cost-cutter. Davey uses a slab foundation in his homes and saves about $7,000 a unit in materials and labor costs when compared with other houses in the area which all have full basements.

"But I've made sure that the floors are never cold," he says, "by providing two inches of rigid insulation under the slab. And under that, I've added a polyethylene vapor barrier and a ten-inch gravel drainage base to prevent moisture buildup."

How do buyers feel about living partially underground? "They don't mind at all when they see their fuel bills," says Davey. —J.G.C.

Dealer shows program on modular homes on rear-screen projector.

Explaining how mobiles and modulars differ

Builders know the difference, of course, but many prospective buyers confuse the two because both are delivered to the site on wheels.

So concludes Interstate Homes, a Salt Lake City-based supplier of modular housing and commercial buildings.

"Dealers tell us the confusion is one of the biggest marketing hurdles they have to clear before getting prospects' attention," says Marketing Director Thomas C. Davis.

So Interstate has armed dealers with portable sound/slide programs that clearly explain the difference and point up the advantages of owning an Interstate home. Forty dealers in seven western states use the system, which consists of audiotape cassettes synchronized with slides.

"We're selling three programs at $21 each," says Davis. "Each dealer has bought all three. And they've also purchased rear-screen projectors so that they can show the programs anywhere, and blank cassettes so they can add their own material."

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Model Homes
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Lester Goodman is president of Lester Goodman Associates, a marketing-services company that specializes in marketing research, planning and consultation for residential builders. Mr. Goodman has spent over 20 years in the housing field. He has been responsible for the marketing and sales of more than 30,000 units for many builders throughout the United States and Canada. Mr. Goodman is the immediate past president of the New Institute of Residential Marketing, an organization developed by NAHB to provide educational programs, and has been for 14 years a lecturer on marketing for the University of California at Los Angeles and Irvine, and California State University.

Gene E. Dreyfus is president of The Childs/Dreyfus Group, an interior design firm based in Chicago and with offices in New York, Palm Beach and Toronto. He is a former builder—selling nearly 2,300 homes in the Chicagoland area from 1950 to 1960. And since 1960, first as head of Gene E. Dreyfus Associates and for the past 11 years with his present firm, Mr. Dreyfus has served as a merchandising consultant to more than 150 builders in the U.S. and Canada.

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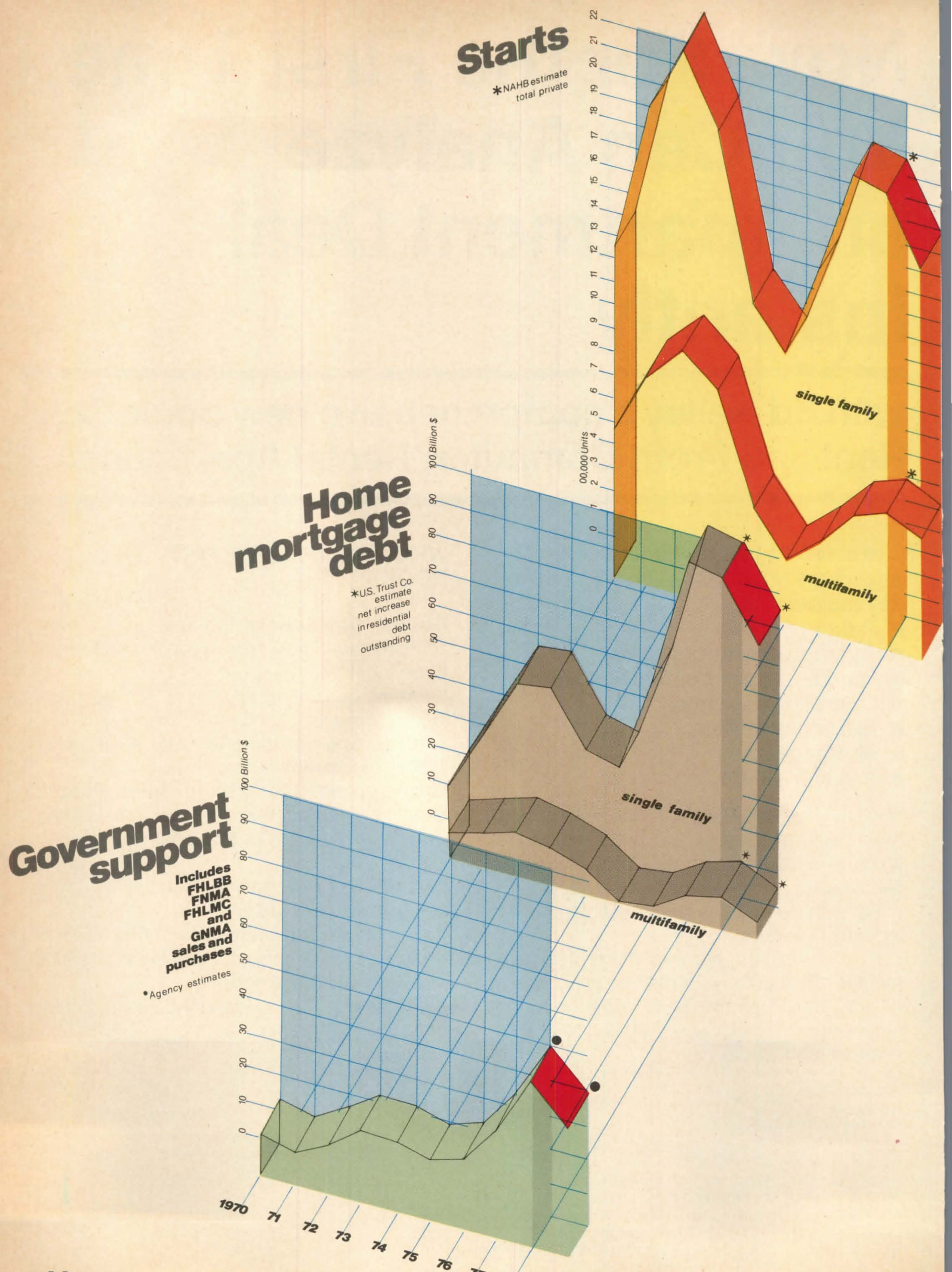
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Housing in '79: A slide but not a slump

The tidal wave of credit has finally crested.

Consumers, worried about bad news on the economic front, are backing off. And housing will take it on the chin. Not a knockout blow, by any means, but hard enough to slow the action. Which, considering the furious pace of the past two years, isn't all bad.

Scenario '79: Starts will tail off 15-20% to the 1.6-1.7 million plateau. Hardly a collapse. It's the shallowest end-of-boom slide in history.

Housing, in short, remains resilient and strong. Sure, demand is going to slow next year. But a good long-term demographics picture ensures that it will come back at the slightest provocation. And sure, those big two-million-unit years are over for awhile. But builders aren't reaching for the crying towel. Indeed, they welcome this break.

For things were getting out of hand. Mainly because most of what was supposed to occur in '78 didn't happen. Especially in the money markets. Credit, instead of tightening, fairly exploded as the thrifts got flush with new money market certificates and the feds pumped a whopping $47 billion into housing *(charts, facing page)*. Mortgage money, as predicted, did get more expensive. But this deterred buyers not one whit. Not even in pace-setting California, where rates may well hit 11% by year-end. Nor was the public put off by soaring new-home prices, up another 15% this year. Why? Because most Americans can add. And the arithmetic says that housing is still the best inflation-hedge buy around. So there was no lull in '78 and builders, who desperately needed a breather after the previous year's capacity-straining exertions, had to run hard—again.

Clearly, something had to give—and it did. Sales are now down in many areas. Traffic too. Rising ownership costs (especially for income-stretchers) no doubt account for some of the fallback. But the main reason is that people are worried about the economy and their jobs. Nor were they reassured on this score when recent inflation-control moves by the Administration and the Federal Reserve Board triggered a new blast of recession-scare headlines. Consumers, as a result, are now taking a more defensive stance.

So much for the climate. Here's the weather report.

Hardest hit by next year's slowdown will be the single-family sector which, as the old Cole Porter lyric goes, "was too hot not to cool down." The loss: a 15% drop to 1.1 million starts. Prices, on the other hand, will shoot up another 10% to $69,000 (average) and $63,000 (median). Multifamily, which appears to be locked in at the 500,000-600,000 units level, should continue to tread water. Mobile homes also remain stuck on a slow-growth track. Shipments will come in at a bit more than 300,000, an anemic 8% gain.

And finally, the booming resale market will continue to go its merry way. Turnover of existing homes should approach the four-million mark (up from 3.85 million this year) and the median price will jump another 13% to almost $55,000. Proving once again what wonders an inflation psychology can work on a price structure.

There are some pitfalls, though. The Fed's new money policy is going to build a lot more pressure under interest rates, virtually assuring that mortgage funds will be tighter and more costly in '79. But there's considerably less certainty about a recession. About all that can be said at this point is that the alarm has been sounded.

Consider this, however. All of the builders interviewed in preparing this article *already* had the red flags flying well before Washington announced its new Rx for the overheated economy. Their prevailing mood going into '79: "It's going to be a tough year, so tighten your belt and proceed with caution."

—BILL MULLIGAN

Tighter and costlier money will slow housing

Next year's hottest topic—and No. 1 problem—will be financing. Specifically, the high cost and lack thereof.

The eminent Salomon Brothers economist Henry Kaufman sizes up '79 as "a year in which the financial environment will be turning significantly negative for housing."

How negative?

Not very, in terms of starts. Kaufman looks for a 15% drop to 1.7 million.

But mortgage costs "will rise 1-1½% or more," he predicts. That means rates of 11-11½%.

Although housing demand has been seemingly immune to *any* cost increases of late, most experts feel that 11% mortgages will dampen the ardor of some would-be homeowners and shut out still others. Particularly first-time buyers who don't have substantial equity to fall back on.

Thus does housing become the first casualty in the government's newly-declared war on inflation.

Turn of the screw. Moreover, the action will get rougher. Thrift institutions plan to reduce mortgage lending. Construction financing will be available from commercial banks—but at rates approaching 1974's peak levels. Which is to say 13-15%.

Next year's market conditions will be influenced by two blockbuster events in '78. One was last summer's introduction of a new mortgage-financing tool: money market certificates. The other, of course, was Washington's decision to attack inflation and support the dollar.

The MMCs, following their dramatic debut, were hailed as housing's saviour. They drew big inflows of money that staved off disintermediation, and lenders had more than enough money to support another big housing year.

Rising T-bill rates eventually undid the program, however. Thrifts found that the profitable spread between certificate payouts and their mortgage yields had eroded. The resulting bear hug on profits was most crippling in 19 states with mortgage usury ceilings of 10% or less. The MMCs, of course, were yielding 10.3% in November and were on the rise. And they had become anathema to lenders.

Said President Saul Klaman of the National Association of Mutual Savings Banks: "All they really did was postpone the disintermediation and shortage of mortgage funds that's coming."

'It's a nervous time.' The S&Ls are under the gun too. Particularly this month, when $30-32 billion in MMCs (about 8% of total savings) must be rolled over. Plus an additional $8-10 billion in other interest-sensitive, short-term liabilities (e.g., big-denomination CDs).

Says Ken Thygerson, chief economist of the U.S. League of Saving Associations: "It's a nervous time. The S&Ls must sell very aggressively just to hold what they've committed to mortgages. And they have to eat those high rates to protect what's been built up. Moreover, commitments are being shut off because nobody wants to risk losing what they have now."

The S&Ls' mortgage volume will dip by 12% to $95 billion in 1979. Savings flows are expected to come in at $35-40 billion, down about 15%.

The Carter-Federal Reserve Board bombshell came in October. Inflation will be halted if not licked, the Administration announced. And the words were backed by action. The Fed upped the discount rate a full 1% to a new high of 9½%, thus ensuring a further run-up of all interest rates. In addition, the Fed laid on some heavy cash-reserve requirements (almost $3 billion) for the big banks.

The upshot was a revival of recession talk.

This was just an opening gambit, cautions James O'Leary, vice chairman of U.S. Trust Co. "The Fed has to follow through. They must make it clear that continued credit growth and expansion of the money supply simply can't be tolerated."

And in today's climate of high interest rates, O'Leary says, the prime rate may soon hit 11½%. The MMC rates are headed up, too, making home loans even less attractive for thrifts (unless, of course, mortgage rates go much higher than expected). And so thrifts figure to be putting much of their money into short-term, high-yield investments. Sort of a reverse disintermediation.

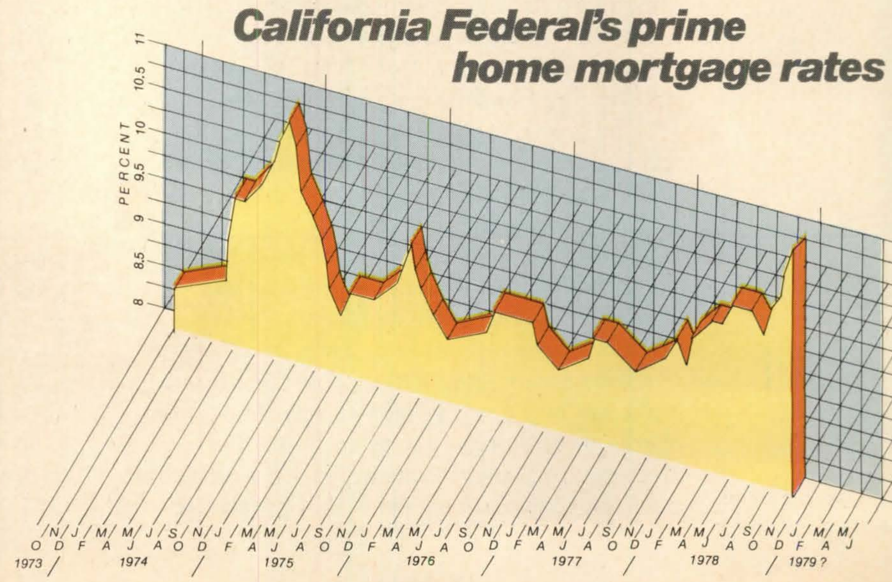
How high the moon? Where will mortgage rates go?

"They should peak at 11% by the end of this year if not sooner," states Kenneth Biederman, chief economist for the Federal Home Loan Bank Board.

And those skyrocket rates in California—now close to 11%?

Biederman says the entire West is pretty much in a separate category. "Mainly because of different consumer expectations," he explains, "which are reflected in the area's amazing escalation in home prices."

For example: Last August, the median price of a new house in the U.S. was up 14.6% for the year, 20.5% in the West. Prices of homes in the other three regions ranged



BUILDERS: IT'S A MOVE IN THE RIGHT DIRECTION

"With this kind of inflation, you either look the other way or do something about it."

Guy Odom
President
U.S. Home

"This way [with tighter credit] we should come out of it a lot faster."

Jim Ryan
Chairman
Ryland Group

"It now appears that consumer psychology has undergone a massive change."

Robert Levenstein
President
Kaufman and Broad

"Housing needs a breather . . . the market will still be there."

Dave Fox
President
Fox & Jacobs

from $40,000 to $47,000—but a hefty $68,000 in western states. What's more, area prices have tripled since 1968 (from $23,000). At that rate, the median price would be well over $200,000 in 1988. And there's more. About 13% of all homes in the U.S. are priced over $90,000 (up from only 3% in '75). Share in the West: 25%.

Says Biederman of the Westerners: "They have to forgo something. Incomes just aren't rising that fast."

Policy reaction. Industry reactions to the Administration's new inflation policy have been almost uniformly positive. The general feeling: better strong medicine now than collapse later. It's felt that tighter credit may sting for awhile, but most observers agree that this will ultimately benefit both builders and buyers.

Taking an opposite view, though, is Michael Sumichrast. The National Association of Home Builders' chief economist envisions little short of calamity, specifically: a drying-up of mortgage funds, sharply declining production rates, plummeting sales for 12 to 18 months and a rapid rise in unsold inventories.

Sumichrast has revised his earlier forecast downward, and he calls now for 1.56 million starts. That's off about 115,000 units (almost all single-family) from his first call. He also predicts that sales will drop 30% to 510,400 (vs. this year's 732,000). About the only saving grace he sees in next year's outlook is lower prices of key building materials.

Adjusting interest rates, the economist feels, just isn't going to cure inflation; he says nothing short of a massive federal spending cut will do the job.

The optimists. Ken Kerin, chief economist for the National Association of Realtors, takes a rosier view. He believes starts will hit 1.8 million. And despite some late area reports of a slowdown, he still insists that resales will reach near 4 million.

Another bright-sider is Dick O'Neill, the former editor of HOUSE & HOME. Now a housing-industry consultant and publisher of *The O'Neill Report*, he was one of the few seers to forecast the '78 starts total on the nose.

On the premise that housing is the irresistible buy because of its built-in tax breaks and 10-15% appreciation, O'Neill predicts 1.8 million starts in his "worst case" scenario for 1979. With just a bit of luck, he insists, housing could have another 2-million year.

And although many forecasters all-but-guarantee hard times for single-family builders, Thomas Harter of the Mortgage Bankers Association projects starts of 1.4 million in that sector alone.

Cool-off on Coast? The $64 question in housing circles remains: What does it take to cool California buyers?

"For a while there I thought the prospect of 11-11½% money would dampen demand but now it looks more like 11½-12%," observes Maurice Mann, vice chairman of Warburg Paribas Becker, the San Francisco investment banking firm.

Mann is the former president of the Federal Home Loan Bank in San Francisco who made a reputation by checkmating the housing speculators a few seasons ago. He says the state's S&Ls are now raising rates in order to discourage mortgage demand.

"They don't have as much money now and they don't want to put it in mortgages—especially when they can put it into any number of other short-term, higher-yield investments."

'Normal downturn.' A Wall Streeter offers this summary. Says Dick Bove, vice president of Wertheim:

"We're going to have a normal, cyclical downturn in housing. Nothing like 1973-75, though. Conditions are altogether different now, especially in terms of liquidity. Most companies are cash-rich. There's no overbuilding or excessive inventory."

No one is overextended but the consumer, Bove insists, "and as long as he holds his job, he'll pay down the debt."

And Harry Schwartz, recently retired as the chief economist for Fannie Mae and now a Washington consultant and publisher of the *Mortgage Market Prospects*, adds this word:

"Next year's downturn should help everybody. Too many people have already stretched their ability to pay. Furthermore, all this hedge-buying has probably stolen a lot of future demand.

"A slow but steady year is the best thing that could happen to housing."

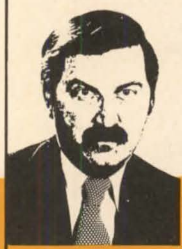
TO NEXT PAGE

BUILDING LEADERS TALK ABOUT THEIR NEW BATTLE PLANS

"People still prefer single-family but they can't afford it."

Nathan Shapell
President
Shapell Industries

"We're taking a strong position on finished lots."



Jack Creighton
Vice President
Shelter Division
Weyerhaeuser Co.

"No starts without sales in '79."

Paul Seegers
President
Centex Corp.

"Condos are going to be very strong."

H. Irwin Levy
Chairman
Cenvill Communities

Builders switch mix for better fix on '79

Homebuilders have been down this road before. Memories of 1973-75 still bite.

This time around, however, the radar clicked on early. It was sending alert signals long before Washington set its new anti-inflation course. The wired-in builders thus were able to tailor their plans accordingly.

"When it comes to the kind of inflation we've been living with," offers President Guy Odom of U.S. Home, "you can look the other way or do something about it."

So Odom says he expected the Carter administration's move, although he didn't think it would be so severe.

"Shortages of labor and materials will ease next year and be replaced by competition," he predicts. "However, higher interest costs and home prices should take quite a few layers out of the market—especially in the single-family sector."

A move to condos. Mindful of the traditional market's weakness, U.S. Home plans to build more two and three-story condo apartments in metro areas. Ranging from 1,000 to 1,400 sq. ft., these units will sell 20% below the company's bottom-priced detached houses in each market. In Houston, where single-family starts at $40,000, the condos will go in at $32,000.

Plans call for the addition of 3,800 such units in two years: 1,000 each in Florida and Texas, 700 in Colorado and the rest in New Orleans, Phoenix, Chicago and Minneapolis.

The condos' share of U.S. Home's housing mix may reach 30% this year, up from 15% in 1977. Explains Odom: "We're gearing for a rugged year. Some builders will be crying the blues in '79, others won't be able to handle the demand. After all, the nature of this business is to create customers, not interest rates. Caution is certainly called for but it's also going to be a year of opportunity. One in which we expect to top this year's record performance. Basically, we want credibility—and sometimes it takes a downturn to get it."

'More affordable housing?' Also slated to build less single-family next year: Shapell Industries.

Taking up the slack will be more production of condos and townhouses, with pricetags topping out at $100,000. Which also happens to the builder's *starting* price for single-family units.

"We changed the mix to get more affordable housing," says President Nathan Shapell. "Most people still prefer single-family but they can't afford it. Fewer and fewer buyers are qualifying. Condos and townhouses now account for 15-20% of our total production. It could go as high as 50%."

Danger signals. Doug Moe, Irvine's residential marketing director, says the big Orange County builder is having its best sales year but he warns:

"There are some storm clouds gathering—a shortage of mortgage money and harder-to-get building approvals. The market, on the other hand, has slowed somewhat and appears to be settling into a more normal groove."

Some builders in the area aren't doing so well, Moe reports. "They're still living in 1976-77, and their expectations are not being met. So giveaways are in vogue to hype sales."

And Chicago's Jack Hoffman, president of the Hoffman Group, says that "there's enough in the pipe already sold that it will carry us through early '79, but I'm not at all optimistic about what will sell from now on—particularly if interest rates go up. Then we'll see more than a few market dropouts."

Hoffman will also change mix: "Less single-family and more lower-price four- and eight-plexes. Fewer elevator condo high-rises."

Reason?

"It's almost a perfect time for another big condo bust. So we'll just play it safe and stick to the plexes, where you don't have too much con-

"Some builders are still living in 1976–77."

Doug Moe
Residential Marketing Director
Irvine Co.

"We see some opportunities in rentals."

Malcolm Prine
President
Ryan Homes

"A lot depends on where you build."

Leonard Miller
Chairman
Lennar Corp.

"More four and eight-plexes."

Jack Hoffman
President
Hoffman Group

centrated in one building."

Hoffman says the slowdown will come as "a welcome pause. This year was chaotic."

Levitt's strategy. Then there's the Levitt Corp., which expects its Puerto Rican and Florida markets to take up any slack that develops in its Chicago operation next year.

"Our profit margins in the Midwest won't be as good next year," explains President Ned Eichler. "That's because we anticipated a downturn and tried to keep our volume up by selling at tighter margins."

Apparently the strategy worked. According to Eichler, some Chicago builders who had been moving 20 to 30 units a week are now down to five. But Levitt continues to sell a consistent 8 to 15 units a week.

Low-end units are still going great guns in Chicago, Eichler says, as are condo conversions. But single-family sales have dropped dramatically. Resales, which had been very strong, now appear to be slowing too.

Ironically, the slowdown comes when there's a huge backlog of orders for new houses that can't be delivered. Unclogging the pipeline could take until next summer or fall.

Shifts in the Northwest. Weyerhaeuser has made some hard decisions, too. Its top priority in '79: a new line of condo duplexes and townhouses to ease the pressure of single-family prices.

The company also plans to run wide open on lot development, even if it results in an oversupply. "Not much choice," explains Jack Creighton, vice president of the shelter division at Weyerhaeuser's headquarters in Tacoma, Wash. "Between escalating land costs and increased governmental restraints, you've got to take a strong position on finished lots."

Weyerhaeuser is also slowing its starts rate. Instead of building 40 to 50 homes at a clip, it will do about 20. And while all slabs will be poured fast to beat the weather, framing won't start nearly as quickly.

Condos for Florida. Cenvill Communities, a specialist in retiree housing, is probably better insulated against a slowdown than most. Reason: Its low-medium cost ($20-45,000) housing is decidedly affordable for retirees and vacationers.

Coming off "a super '78," Chairman H. Irwin Levy says, the company has a huge backlog of sold but undelivered units. "Next year we think condos are going to be very strong," Levy says, but he admits to fears about tight money and higher costs. (Construction costs in Florida have been increasing 15% to 18% yearly.)

Other than for some single-family operations in California, Cenvill operates only in Florida. That could be a big plus. The state, with an economy that is almost self-sustaining, should be among the last to suffer in a recession. But Levy remains wary.

"When a house of ill repute is raided," he observes, "even the piano player goes to jail."

Ryan into rentals. Apprehension marks the mood at Ryan Homes, too. Although the company will be busy for six months, thanks to a big backlog of presold but unshipped orders, the future is less certain. "Sales are expected to ease in early

'79 STARTS: WHAT'S YOUR GUESS?

Here are latest forecasts of some of housing's top economists:

	(millions)
Dalton/Ginnie Mae	1.7-1.8
Kirin/NAR	1.75-1.8
O'Leary/U.S. Trust	1.7
Klaman/NAMSB	1.6-1.7
Plant/Freddie Mac	1.7-1.8
Bove/Wertheim	1.5
Harter/MBA	1.7-1.75
Mann/Warburg Paribas Becker	1.5-1.6
Thygerson/USLSA	1.65
Schwartz/Consultant	1.7
Kaufman/Solomon Bros.	1.7
Christie/McGraw-Hill	1.65
Biederman/FHLBB	1.75-1.8
Slater/Commerce Dept.	1.65
O'Neil/Consultant	1.8-2.0
Treadway/Fannie Mae	1.7
Sumichrast/NAHB	1.56
Sternlieb/Rutgers	1.7

TO NEXT PAGE

'79," says President Mac Prine, "and building activity should be much slower in the second-half."

But perhaps not on the multifamily side. Ryan, never a factor in this market, is going to take a shot at rental housing next year.

How much of a shot?

"We don't know yet," says Prine. "But present conditions have created some opportunities for us that weren't there before."

Ryan will further reduce the risk factor by offering these units to outside investors.

A sag in the Southwest. "It's a delicate time for housing," notes President Paul Seegers of Centex. "There's been a general slowing over the past four months—more apparent outside the Southwest—but it looks like mortgage rates may go higher anyway."

Seegers feels a 20% drop in housing starts will help—mainly to relieve the shortages of labor and materials caused by a two-year run of peak building.

Centex will play it conservatively in '79. "No starts without sales," Seegers says, "and a lot of work on profit margins. In particular, we'll be trying to pin down our costs in advance."

Pulte's warning. Chairman James Grosfeld of Pulte Homes issues this caveat: "If you don't have prearranged mortgage credit for '79 customers, chances are you're in trouble."

More than ever, Grosfeld feels, financing will spell the difference between a good and bad year. Indeed, he says some builders have already begun to feel the pinch, especially those who have to rely on higher-cost mortgage money.

Pulte, whose revenues and net incomes rose 40% and 58% in the third-quarter, is shooting to boost its market share in '79. How?

"By sticking to our basic game plan," says Grosfeld, "which means low inventory, high liquidity, strong finances—and touching *all* bases."

K&B's plans. Kaufman and Broad sees '79 as a turning point in the economy. "But it could go either way," believes President Robert Levenstein. "We also think that consumer psychology has undergone a massive change, brought on by discouraging economic news."

Sales have turned down sharply, he notes, especially in $100,000-and-up houses. Even more significant, he feels, is the performance of resales. "These units are now turning over at a slower pace. And that's a problem because most of our buyers are second-timers who need that equity from their present homes."

In short, says Levenstein, this is no time to take gambles. "With the exception of excellent locations, we're going to stay away from expensive housing and concentrate on the more popular price ranges—under $80,000."

Ryland's approach. Chairman Jim Ryan of the Ryland Group doubts that "the Fed has the delicate touch needed to tune the economy so that we get slight inflation or slight recession. So it's likely that housing will be down significantly."

The builder, however, feels the situation called for drastic steps. "If soaring construction costs and housing prices were allowed to continue, it would ultimately require even stronger measures to halt the spiral. This way, we should come out of it a lot faster."

Ryland, which builds under $50,000 homes, plans to meet the '79 challenge with a new line of smaller homes starting as low as 840 sq. ft.

Says Ryan: "These aren't so popular in good times when people want more of everything and are willing to take on risk, but they should be right for tomorrow's marketplace."

Lennar's program. Lennar Corp. is another builder of low-moderate-cost ($35-$40,000) housing that seems well positioned. "Starts could drop to 1.6 million next year," says Chairman Leonard Miller, "but a lot depends on where you build. We operate in Florida, Arizona and Michigan, and some of these areas may be hit harder than others."

Miller, however, thinks housing has an ace in the hole—its investment pull on the public: "If people can afford to buy, I don't think they're going to stay out of the market very long."

Lennar intends to blanket major metro areas with condos and townhouses at, of course, the expense of single-family. It also expects condos to account for a much bigger slice of the total sales pie.

Fox: 'Bubble must burst.' Comments President Dave Fox of Fox & Jacobs: "Any time you have a situation in which the public's expectations are being fueled by an inflation that keeps them buying despite higher and higher costs—that bubble always has to burst."

Maybe the bubble hasn't burst but it has definitely sprung a leak. Best evidence: For the last 45 to 60 days sales and traffic have been off in both Houston and Dallas-Fort Worth, two of the country's three hottest markets.

"I think it's very healthy," says Fox. "Sure, business may be down some. But the market is still there. The slowdown, moreover, comes at a good time because the industry was overreaching in terms of its capacity.

"Housing, at this point, definitely needs a breathing spell."

HOUSING MIX 1977-79 (000 UNITS)

1977 Total Starts	
Single-family	
Detached	
Fee-simple townhouses	
Condo townhouses	
Multifamily	
Condo apartments	
Rentals	
1978*Total Starts	
Single-family	
Detached	
Fee-simple townhouses	
Condo townhouses	
Multifamily	
Condo apartments	
Rentals	
1979*Total Starts	
Single-family	
Detached	
Fee-simple townhouses	
Condo townhouses	
Multifamily	
Condo apartments	
Rentals	

Across the country:

From near crisis on the Coast to gloom on the Seaboard

While most regions will take the '79 slowdown in stride, others are sailing into stormy weather.

West Coast builders, already under the gun because of a potentially explosive supply-demand imbalance, face a rough go—maybe even a shakeout. And, 3,000 miles away, severe credit rationing figures to deal the New York market yet another body blow.

These are the extremes, though. Most other areas are in relatively good shape.

First the bad news. In the Far West, builders are now feeling the full—and highly adverse—impact of no-growth restrictions. Particularly in California, where it all started seven years ago. Increased constraints (with an extra push from Proposition 13) have created a powder-keg situation that could blow at any time.

Reason: Although demand won't quit, a tightly-controlled and astronomically-priced land supply has made affordable housing scarcer than a cheap bag of cement.

Environmental squeeze. Ken Agid, whose consulting firm (Market Profiles of Irvine, Calif.) tracks housing in the West, spells out the grim details.

Why are finished-lot costs so high? Blame government, says Agid. "City officials, in the guise of protecting the environment, want to slow, inhibit and eliminate growth. Their chief weapons are federal air-quality standards that put restraints on the expansion of sewer-treatment capacity. Result: no hookups for building sites."

This, he claims, has resulted in an artificial shortage of zoned and zonable land. "And it's forcing builders to build in an already overbuilt market, thus compounding the problem."

But he believes the pendulum may swing the other way in '79, based on events in bellwether California.

"Building will be down sharply next year. Not for want of demand, shortages of inexpensive mortgage money or a lack of front-end investment capital—there's plenty of that around—but because there isn't enough land available to build what's vitally needed: affordable

Total U.S.	Northeast	North Central	South	West
1,988	**202**	**465**	**783**	**538**
1.450	156	337	587	370
1.377	144	325.9	562.1	345
32.5	7	7.1	12.5	6
40.6	5	4	12.4	19.1
538	46	128	196	168
91	11	16.1	35.1	29
447	35	111.9	161	139
1,958.7	**195.7**	**457.9**	**782.8**	**522.3**
1.370.4	141.2	329.2	560.5	339.5
1.293.5	129.5	315	533.1	315.7
35	6.5	8.4	14.1	5.9
41.8	5.2	5.5	13.1	18.1
588.3	54.5	128.7	222.3	182.8
102.6	13.2	16.1	40.1	33.2
485.7	41.3	112.6	182.2	149.6
1,564.6	**163.3**	**435.9**	**588.1**	**377.3**
1,063.3	104.3	321.7	401.3	236
996.6	95.2	305.7	377.9	217.8
31.7	5.1	9.4	12.3	4.9
35	4	6.6	11.1	13.3
501.3	59	114.2	186.8	141.3
91.3	14.7	15	35.1	26.5
410	44.3	99.2	151.7	114.8

*Projected. NOTE: Western region includes Alaska and Hawaii. Source: NAHB Econometric Forecasting Service.

TO NEXT PAGE

housing. The state says it needs to build 280,000 units a year for the next five years to meet rising demand. Yet we'll be lucky if starts hit 230,000 in '78. And Bank of America has forecast 185,000 starts next year. At this rate, we could end up with a shortfall of 500,000 units by 1981. Which, in my book, is a near crisis."

Unused land. Ironically, only 2.2% of California's 100 million acres is now in urban development, the rest being open space. According to Agid, it would take a mere 1% of the state's landhold to accommodate all projected residential, commercial and industrial growth over the next 20 years.

Competition has sent land values soaring. Developers have bid finished-lot prices up to $40-50,000. And government-protected coastal land is virtually untouchable. Finished lots that sold for $60-70,000 in 1972 now fetch up to $400,000.

Home prices, in turn, have shot up. Statewide, the median price of a single-family detached house is $86,800—up 18% for the year—and could hit $100,000 by next June, says Agid. And in Orange County, he notes, these units are averaging almost $125,000.

Market Profiles' Agid
Big trouble brewing

Recession? 'Can't happen.' Although California faces some thorny housing problems, recession is not one of them.

"Can't happen," says Agid. "We've got a strong demand and a sorely undersupplied market. That demand has not yet been put off by higher mortgage rates. Homes costing under $80,000 will be snapped up as fast as they're offered."

But the consultant does warn of a shakeout. "Because of the high cost of acquiring and holding land, some small, marginally financed builders may not have staying power."

New York: Going to the mat

Area builders, coming off a bitterly disappointing year, stand to take an even worse shellacking in '79.

Reason: With an 8½% usury-law ceiling, the lowest in the country, lenders don't figure to be writing much new mortgage volume. What's more, state banking laws prohibit lenders from charging fees, thus driving another spike into housing. (Some states that have 10% ceilings permit the lender to charge fees up to 6% of the purchase price.)

Last year it was a demand-dominated market. In '79, as Advance Mortgage Corp. of Detroit puts it, "money will rule."

The squeeze has already started. Most thrifts are virtually out of the New York market and those that remain, afraid to make commitments for new construction, are reserving most of their play for resales.

Surprises in store. Commercial banks, oddly enough, are still making 10% mortgages with 20% down. That's due to a federal law that allows big national banks to lend at 1% above the Fed's discount rate. However, points out Advance, they too limit most of their loans to existing homes. Why? Because of fears that the discount rate may rise again before takeout commitments are funded, thus leaving them subject to the state ceiling again.

Lenders, in short, will have a surprise waiting for the New York homebuyer in '79—stiff down-payment and loan requirements.

Canadian housing: Down off the peak

Builders, who had their problems in '78, are keeping a close watch on the economy. And the outlook is not so good.

The bad news includes 9% inflation, a million unemployed and a drop in disposable income (this should improve a bit with the thaw of a four-year wage freeze). Another concern arose recently when the Canadian dollar fell 15% against its feeble American cousin, further eroding the confidence and optimism of the Canadian public.

The Dominion, moreover, is edgy about 1979 because it will have to elect a new government. Dominating any election, of course, will be the highly explosive issue of Quebec's future. (Latest polls say the Conservatives will defeat Prime Minister Pierre Trudeau's ruling Liberals.)

Deceptive starts figures. None of this bodes well for housing. Statistics don't even tell the full story. For instance: Starts will come in at about 220,000 this year, down 11% from '77.

Next year's forecast?

Unchanged, reports the Housing and Urban Development Association of Canada. That sounds almost good—until you look behind the numbers.

First, the current picture. For about five years, there has been an excess of mortgage money at affordable rates. Two months ago, however, the Central Bank raised the prime rate to 11%, pushing the cost of mortgage money from 10-10½% to 11-11½%.

Rates probably won't remain that high next year, says Bill McCance, the HUDAC research director. "There's just too much money still available and too many lenders in competition."

Inventory. Going into '79, there will be an unsold inventory of 70,000 homes—more than a three-month supply when everyone is building. But not everybody is, so it may take quite a time to work off this stock. What's more, many of these units have gone begging for up to three years. And some went on market at prices $10-15,000 below their building cost.

Says McCance: "Condo high-rise accounts for the biggest percentage of current inventory. And that's due to overbuilding, not lack of demand. Furthermore, patterns fluctuate widely by area. Demand is down 25-35% in British Columbia and up that much in Alberta.

"Record land costs are a factor, too. Single-family lots now go as high as $80,000 in Toronto and Vancouver. In Toronto, you can't get a finished lot for less than $30-35,000."

Loss of used-home sales. Resales are also taking a beating. Blair Jackson, executive vice president of the Canadian Real Estate Association, says demand has flattened. He estimates that Realtors

So it looks like a lean year for builders, many of whom have little or no fat to live off. For, despite a recovery that saw the state's economy achieve its best performance in eight years, single-family permits in '78 were at the lowest level since World War II—and 30% below the '77 total.

Disaster, thy name is usury.

And on the brighter side...

One of the few nice things about a downturn is that *somebody* always ends up in the winner's circle. And usually because he was in the right place at the right time—with the right product to sell.

With one eye on money rates and the other on current demand patterns, Consultant Alfred Gobar (Real Estate Information Systems of Brea, Calif.) sees a lot of opportunity out there. Some of his best bets:

- **Seattle**—Boeing is OK again and the economy is humming. Still a lot of unmet demand.
- **North Carolina**—Tarheelers, with no surplus to speak of, are ripe for new housing. Especially Charlotte.
- **Tulsa, Oklahoma City, Little Rock**—The same story for all: an across-the-board shortage of housing.
- **Pittsburgh**—Will soon need more single-family. Prime for some rentals too (ask Ryan Homes).
- **Las Vegas**—Market is so undersupplied that workers at two new casinos live in campgrounds.
- **Washington**—Rentals abound but not enough for-sale to go around.
- **New Hampshire**—The main chance: a wave of new arrivals fleeing Massachusetts to beat the high taxes.
- **Phoenix**—Hasn't lost any steam. Could get crowded, though, if slowed-down California builders turn this way.

This, of course, is just a sampler. Cases can be made for any number of other markets. Like the man said: Opportunity is where you find it.

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will move 170,000 existing homes in '78 and about the same number next year.

"We're selling about 32% of the available supply, or one of every three," he notes. Only bright spot: Prices are up about 5% and average nearly $60,000.

Housing people, of course, have a big stake in the upcoming federal election. That's because the Conservative Party says that, if elected, it will propose for the first time in Canada a law allowing homeowners to deduct mortgage interest payments against income tax and property taxes up to $1,000.

So it's no wonder, with that fat carrot being waved under their noses, that Canadians are in no hurry to buy homes at this time.

Where are the children? The future promises little relief.

Just ask Central Mortgage and Housing Corp. The agency, Canada's equivalent of the FHA, recently surveyed the Dominion's long-term housing needs.

Main finding: Demand will peak in 1980 and then decline steadily until 1996—at which time starts will drop to 140,000. Following a slight recovery, starts should inch up to 150,000 by the year 2000.

Why the slide? Because, says CMHC, the strong housing demand created by Canada's postwar baby boom is now running out. Indeed, it peaked in 1976, when starts hit a record 273,000. Now it's all downhill.

Explains HUDAC's McCance: "Unlike the U.S., which still has a long way to go, we've gone through our baby-boom cycle. And our postwar immigration wave, too. That's why starts were so high the last 10 years. All it means, really, is that we'll be returning to a more normal demand situation."

The optimists. Not everyone agrees with the CMHC reading. Frank Clayton, a Toronto-based consultant and ex-CMHCer who knows his way around the demography course, takes a more optimistic view.

His scenario: Starts will be flat to down through 1980, mainly due to earlier overbuilding of condo apartments. Once this surplus is worked off, however, starts will climb every year until 1986. After that, a marginal decline.

Another consultant who likes housing's chances in the next decade is Winnipeg's Kenneth Goldstein, a single-family booster in his own right.

While the various forecasts may differ, it's apparent that Canada's big years are ending. But that news has caused but little nail-biting. After all, it's reasoned, no boom lasts forever. Especially in a country whose population has stabilized at 23 million.

Retreat in good order. It was some kind of a boom while it lasted. Says one housing man: "All those 250,000-start years we had were the equivalent of 2-million years in the States. We're looking at an orderly retreat from those levels—not a sudden nosedive."

Orderly retreat or no, some builders figure to get hurt. Says Peter Perrin, marketing manager of Bramalea Ltd. in Toronto:

"Smaller builders, in particular, will have to scramble. There probably will be a shakeout."

The yellow brick road. There is an out for those who can stand the gaff: that big market south of the border.

A number of Canadian developers have already made their presence felt in the U.S. Outfits like Genstar, Cadillac Fairview, Dayon and Nu-West. These are big, well-heeled companies, and they have started up in such highly competitive markets as Seattle, San Francisco, Los Angeles, Houston, Miami and Monroe County, N.J.

Nor was it a played-out baby boom that triggered the invasion.

Big profits and a friendlier operating climate lured these companies. But the main catnip has been the "speedy" approvals process in the States. Which must come as a mind blower to American builders.

Says Bill McCance: "These people are tickled about the way things work in the United States. In Canada, after all, it takes three to four years to get plans approved. A Toronto developer must make some 90 different applications for each job. If the 88th is disapproved, it's back to square one."

Truly, the grass is always greener...

Rev up for non-res

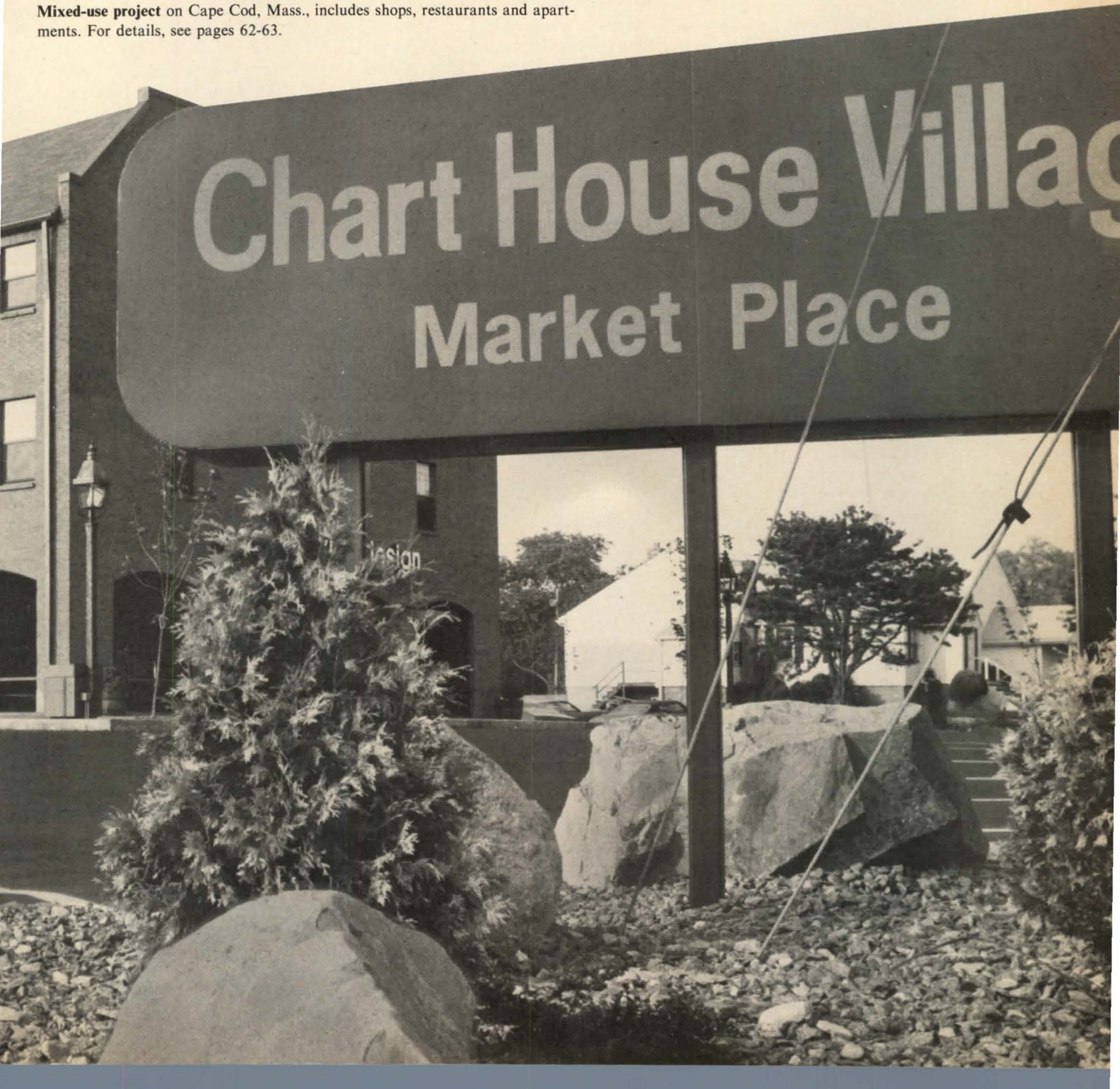
It's an
inviting standby
market
when housing flags.
Here's how
five developers
are making
a go of
commercial
projects.

Non-residential construction has always offered a good cushion for homebuilders—a risk spreader in a cyclical business. Early in 1978, for example, 37.4% of 1,902 builder answering a HOUSING survey reported activity in non-res ventures—and this at a time when housing was booming.

Next year, with a downturn in sight, that percentage could be higher. In fact, as George A. Christie, McGraw-Hill's chief construction economist, points out, "non-residential building has (already) taken over from housing as the construction industry's source of expansion."

How to make it in non-res? There are no pat answers, but you'll find clues in the five case studies that follow. —JOHN H. INGERSOLL

Mixed-use project on Cape Cod, Mass., includes shops, restaurants and apartments. For details, see pages 62-63.



Noel Shumann of Tallahassee, Fla.:

"Look for an opportunity that commercial builders would pass by"

Shumann's opportunity was a 1.38-acre site buried in the middle of a 1,500-house subdivision. He used it to develop Killearn Village Center, a small retail and office complex that was 100% rented before construction began.

The site didn't tempt commercial builders, Shumann thinks, because it was too small and not on a main road. But, he says, "It's done exactly what I wanted—given us a foothold in the non-residential market."

Shumann, who has built houses and townhouses for 10 years, applied that experience to his first commercial venture.

Used to working with small land parcels, he shoehorned 12,800 sq. ft. of shops and professional offices, plus parking for 88 cars, into the site by using the most economical geometric figure: a square.

Sensitive to local preferences in housing design, Shumann felt they would also apply to commercial buildings.

"This is a conservative area," he says. "People like traditional design. So we chose the Williamsburg look, which is unusual for commercial buildings in this area."

The "Williamsburg look," Shumann now notes, has been a major factor in the center's success.

"First of all, it appealed to potential tenants, who were shown plans and renderings. Many of the tenants are specialty shops—a women's boutique, for example, a gift shop, a high-fashion bootery and a drug store that is reminiscent of an old-style chemist's shop.

Secondly, the design attracts shoppers. In fact, Shumann points out, the center has become a place to see in an area that, unlike south Florida, lacks many tourist attractions.

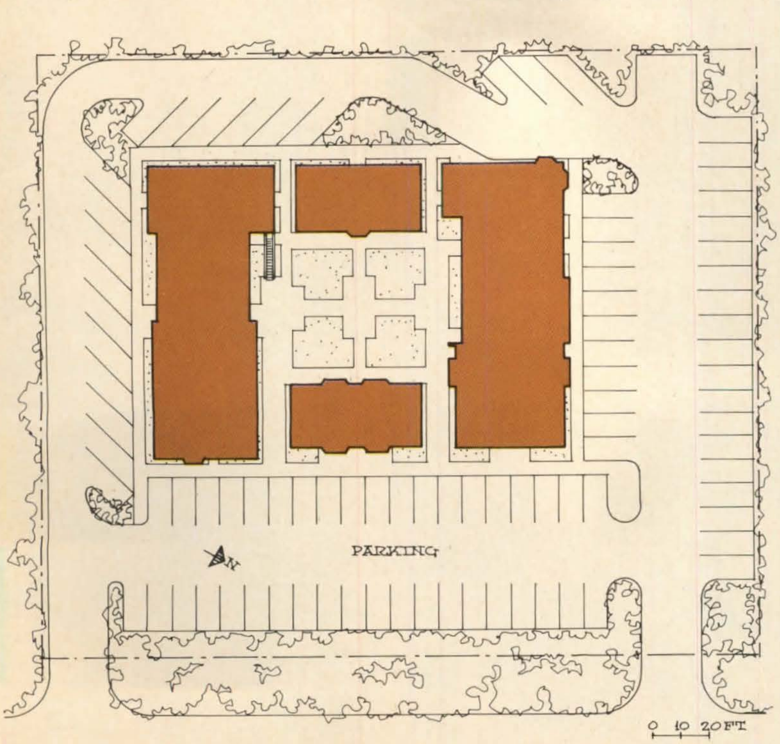
"People bring their out-of-town visitors," he says, "and many of them stay around to browse and buy."

Shumann's homebuilding crew stick-built the center, so construction moved rapidly.

"We never really considered steel," he says. "My men aren't familiar with it, and the price was high when we started. But if I had to do it over, I'd put more brick and less wood on the facade to bring down insurance rates."

The center's rentals are high for the area—from $5 to $7.25 a sq. ft. a year—on five-year leases. "And there," Shumann says, "I made a goof as a novice that I won't make again. I failed to put in escalator clauses." Right now, however, he isn't complaining about the cash flow *(table, facing page)*.

Shumann's firm, Shumann Development Co., plans two more shopping centers and an office complex: "We'll be reducing our homebuilding business to bring residential and commercial into balance," he says. "We'll be ready to jump in whatever direction the economy takes us. Meantime, this center is our ace in the hole. We've already been offered $550,000 for it—a gain of $14,000 over cost."



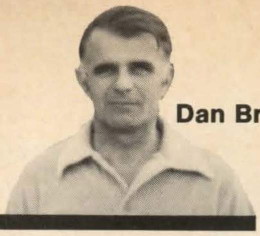
Doughnut layout puts shops and offices around central plaza shown at right. Parking, for 88 cars, is around perimeter of 1.38-acre site. Each shop has front and rear entrance, can thus be reached directly from parking area or plaza. Traditional design touches, a key ingredient in the center's success, include post lanterns, brick accents in paving and low brick walls.

DICK RICHMOND

HOW IT PENCILS OUT

TOTAL COSTS		$410,000	ANNUAL EXPENSES		56,688
MORTGAGE		375,000	Mortgage	41,688	
			Taxes	4,500	
CASH IN PROJECT		35,000	Utilities	4,000	
ANNUAL GROSS INCOME		71,725	Insurance	4,000	
Rent	$73,500		Maintenance	2,500	
Maintenance fees	2,000				
Less 5% for vacancy	(3,775)		CASH FLOW		15,037

RETURN ON INVESTMENT (Cash flow divided by equity) 43%



Dan Bralic of Coquitlam, B.C.:

"If you're building a strip project, pay special attention to its design"

Coordinated design can take the curse off strip development. And if the design is original enough, it can be your best advertisement.

That's homebuilder Bralic's opinion. It's borne out by the success of his first non-res venture—the two initial phases, shown here, of a six-phase commercial strip in a Vancouver suburb.

The first phase was all rented before the first tenant moved in; the second, nearing completion, is 75% rented.

Bralic's only advertising was a pair of small newspaper ads and, out at the site, a 3′×6′ "Now Leasing" sign that gave his phone number. The newspaper ads got no response. But the sign drew a flood of inquiries.

"That was no hard-sell sign," says Bralic, "so it must have been the looks of the job that stirred-up so much reaction.

"When we had the wood siding about half applied, drivers used to slow down on the road fronting the project. Some of them stopped, asked about leasing, and later became tenants.

From the start, eye-catching design was the aim of Bralic and his designer, Keith White of Coquitlam.

"I wanted distinctive buildings," he says. "If they were like everyone else's, I was afraid we'd have to carry the space too long before rent-up."

But he and White proceeded with care. Before going ahead with the job, the designer showed renderings of the buildings to prospective tenants—merchants, brokers, doctors, dentists. Reaction: a majority of plusses, a scattering of so-so's, and not a single minus.

"On that basis," says White, "we put the plans into action."

Bralic, one of four investors in the 626-ft. strip, says future buildings will resemble those pictured here. When built out, the project's space will split 50/50 between shops and offices.

Annual rents are $8.50 a sq. ft. on the first floor and $7.50 on the second. (These figures would be somewhat higher in U.S. dollars.) The builder and his wife, who is a bookkeeper, manage the property.

Bralic now plans to wind up his homebuilding business and concentrate on commercial.

"Homebuilding is too chancy in this area," he says, "and too much of my money is tied up. I like the steady cash flow from commercial property, and there's more opportunity to control my investment."

HOW IT PENCILS OUT

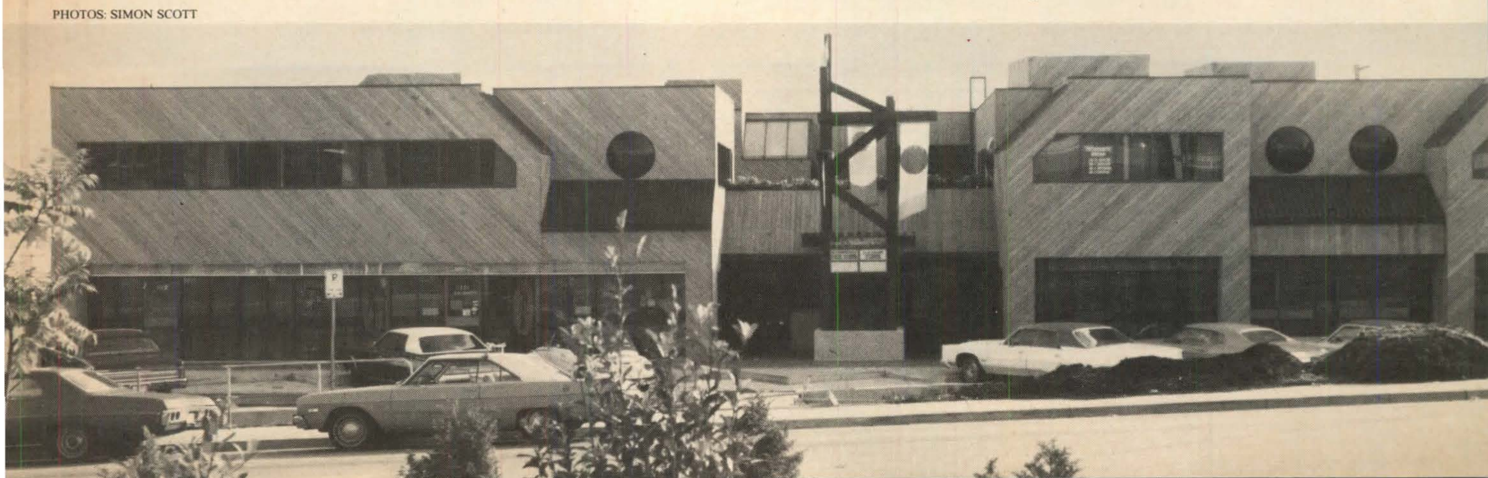
TOTAL COSTS*		$985,000
Land acquisition	$210,000	
Construction	706,500	
Developer's overhead	36,000	
Architectural/market research	15,000	
Engineering	10,000	
Legal	7,500	
MORTGAGE—11%		865,000
CASH INVESTMENT		120,000
ANNUAL INCOME		145,300
ANNUAL EXPENSES		124,000
Mortgage	96,000	
General expenses	28,000	
CASH FLOW		21,300

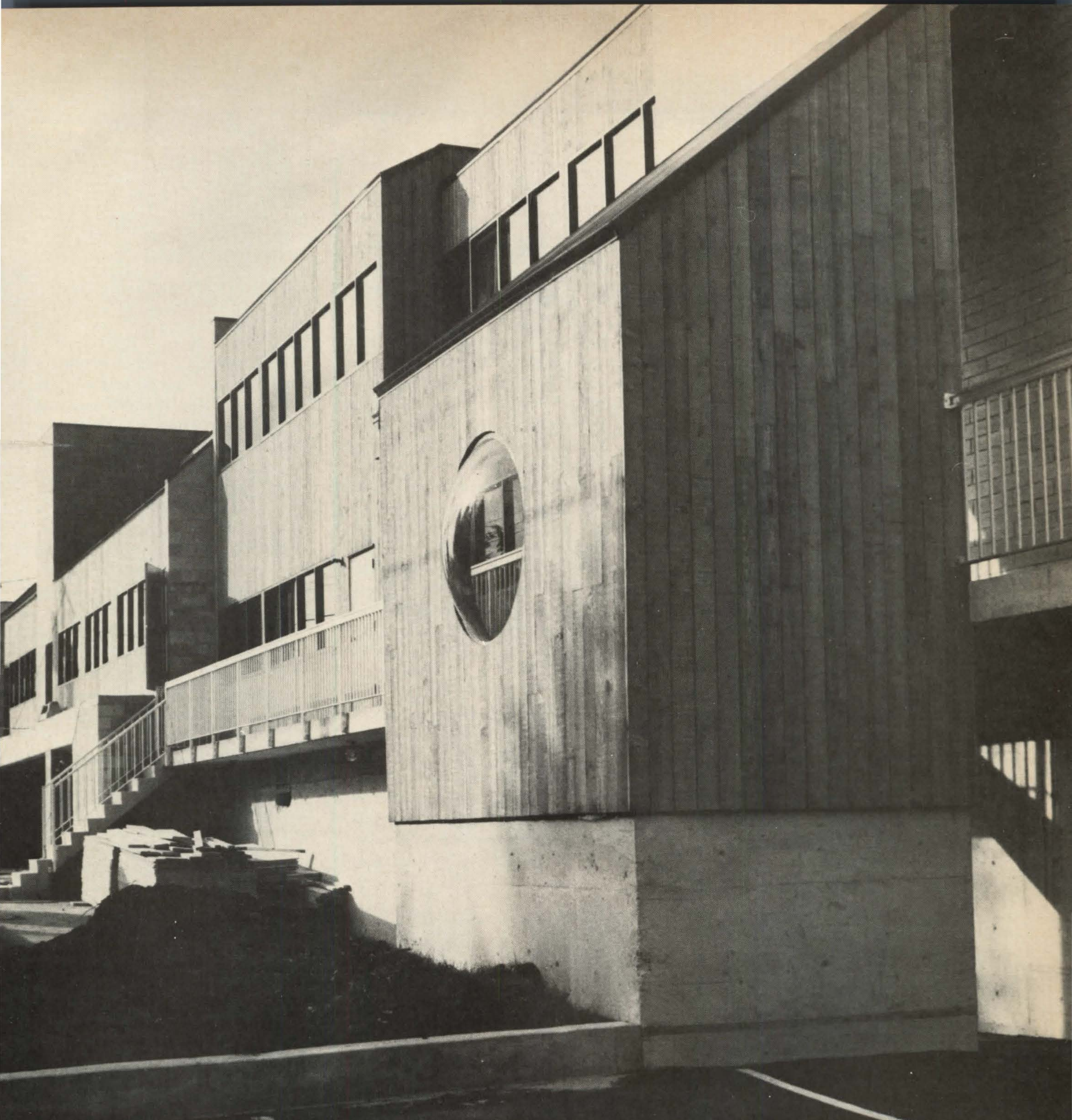
RETURN ON INVESTMENT (Cash flow divided by equity) 17.75%

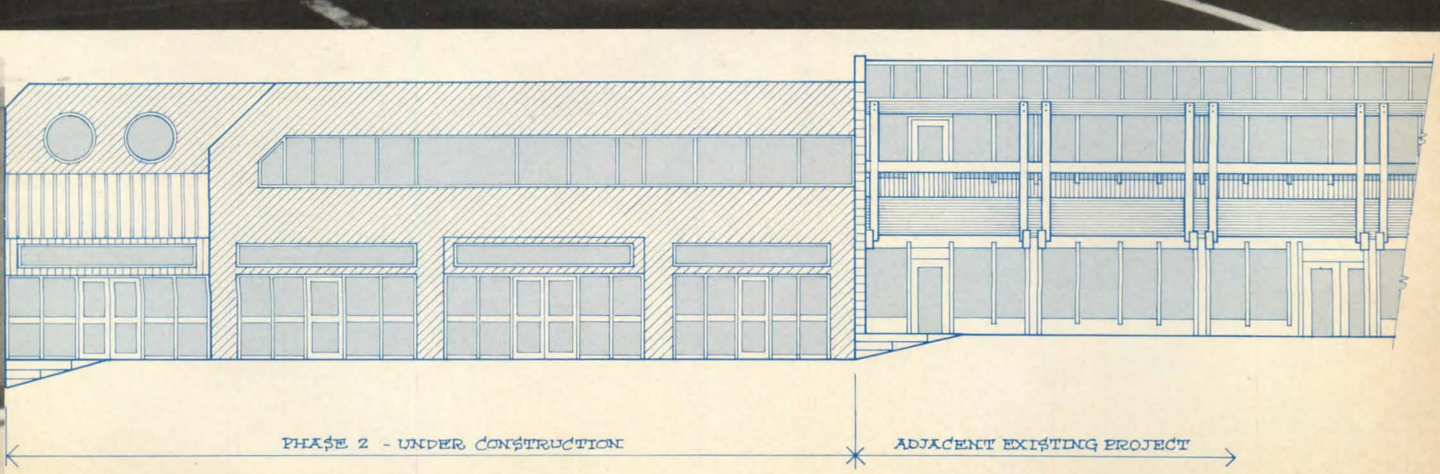
*Figures cover Phases One and Two.

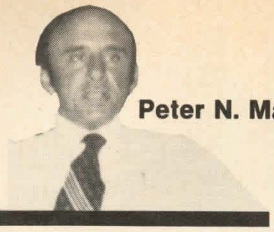
Rear facade *(right)*, forgotten in the design process of most commercial strips, here gets the same careful attention as front *(below)*—a strong contribution to its market impact. Eye-catching banner tower in front is centered in a small pedestrian mall.

PHOTOS: SIMON SCOTT






PHASE 2 - UNDER CONSTRUCTION
ADJACENT EXISTING PROJECT



Peter N. Manos of Dallas:

"Plan your tenant mix— and stick to your plan"

Retail space in this mixed-use project would have rented out in six months rather than 18 if developer Manos had given his rental agent a free hand. Instead, Manos, chairman of Inner Systems Corp., specified the types of retail tenants he wanted. He explains:

"For long-range success, I had to have a planned-tenant mix geared precisely to local retail needs."

Those needs, made clear in market research by Manos and his associates, helped him develop his required-tenant list. At the top of the list: a first-class restaurant. Here's why:

- Research showed demand for a quality restaurant in the area.
- An anchor tenant was needed to attract traffic, and Manos figured a good restaurant would fill the bill.
- Since the site was locked into a residential area, parking space was limited. There wasn't enough to handle the volume of cars generated by such anchor tenants as a supermarket or a discount house.
- Finally, the restaurant was to be at the project's focal point—a skylit mall beneath apartment balconies. Says Manos: "It would have been a mistake to put any other business there."

Market research showed that much of the retail business would come from residents of 15,000 apartments within two miles of the project. A majority of these apartment dwellers were young—from 22 to 34. And their household incomes averaged $19,200.

To serve this retail market, Manos sought out tenants who offered stylish, but not necessarily high-priced, merchandise. His list included a gourmet kitchenware shop, a craft shop carrying leather goods and stained glass, fashionable clothing shops for men and women and a unisex hair stylist.

Manos also specified another restaurant—smaller, less expensive, and specializing in burgers, salads, beer and wine. And he called for a plant shop because "apartment people find it next to impossible to live without green plants."

My ultimate aim was to produce a stimulating atmosphere within a relaxed setting," says Manos. "I wanted a place where people would come for lunch and then stay around to browse and shop. And that's what we have."

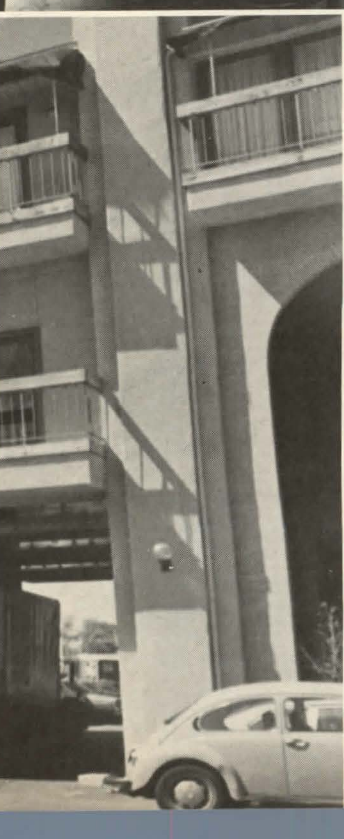
The finished project—called The Market at Old Vickery Square—includes:

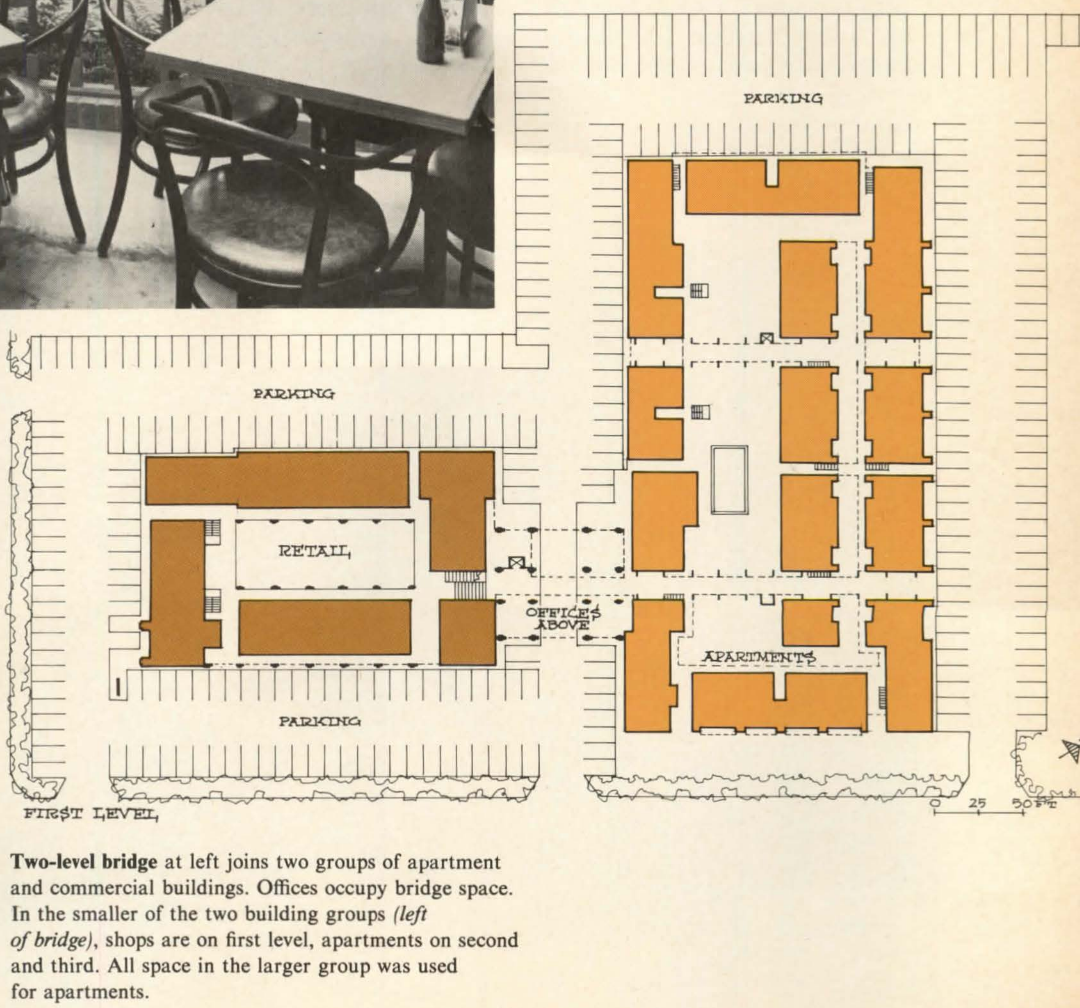
- 19,325 sq. ft. of retail space. Annual rents range from $9 to $11 a sq. ft., plus an overage based on the tenant's sales volume.
- 2,182 sq. ft. at $8 to $9.25 a sq. ft.
- 130 apartments; 25 two-bedroom units rent for $390, 95 one-bedroom units for $295 and 10 efficiencies for $260.

Inner Systems Corp. has built three small shopping centers, plus about 2,000 garden apartments. But The Market, a $3.1-million project, is its most ambitious undertaking—"Our flagship," says Manos.

PHOTOS: THE SHOOTIST

Sidewalk-cafe atmosphere draws dining and shopping trade to The Market, according to developer Manos. Restaurant at left occupies part of a central mall in the smaller of two building groups shown in the site plan below. Shops open into the skylighted mall, and apartment balconies overlook it. The three-story buildings are joined by covered bridges at the third-floor level. Developer Manos, who is also an architect, decided to put apartments and commercial space into the same buildings after being impressed by such arrangements in European cities.





Two-level bridge at left joins two groups of apartment and commercial buildings. Offices occupy bridge space. In the smaller of the two building groups *(left of bridge)*, shops are on first level, apartments on second and third. All space in the larger group was used for apartments.

Stuart Bornstein of Cape Cod, Mass.:

"Cash in on today's wave of nostalgia with early-American design"

And make the design authentic, adds developer Bornstein. His Chart House Village Market Place, *(see also p. 54-55)* is a faithful reproduction, down to its brick arches and granite headers, of an 18th Century urban community.

"We paid dearly for authenticity," he says, "—$20 a sq. yd. for courtyard pavers and $800 apiece for 9-ft. solid oak street doors with heavy-duty ball hinges and antique locks. But the investment was worth every penny."

His mixed-use project in Hyannis draws many shoppers who come just to see the buildings. And some have become tenants of the 52 apartments above the stores.

Bornstein owned the site for three years before building. During that time, he turned down chances to develop it for a big chain supermarket and a branch of a well-known restaurant.

"I saw an opportunity to capitalize on something different," he says. "Anyone can build a strip and get a return on investment for a few years. But will it appreciate? Many go downhill. I wanted a long-term investment."

Bornstein decided on the colonial-town approach because, he says, "there's nothing like it on the Cape."

He and his architect, Peter DiMeo at Stoneham, Mass., developed design ideas from hard research. They spent three months scouting and photographing 30 other projects and touring historic urban neighborhoods in Newport, R.I., and Boston, Newburyport, Gloucester and Marblehead, Mass. Says Bornstein: "It also helped that Peter grew up near the Boston harbor, and has an inborn feeling for those old buildings."

A market study convinced Bornstein to aim for high-class retail tenants. Though Cape Cod has a permanent population of 150,000, it is the visitors and vacationers who put zip in the market.

"These are people looking for places to spend discretionary dollars," says Bornstein. "They come in large numbers every day in every month except January and February."

Unlike many commercial builders, Bornstein handles all rentals and property management in his own office.

"The Village is my first mixed-use project and my largest venture [$3

million]," he says, "and I want complete control. What's more, I save $20,000 a year in commissions." Bornstein also builds about 100 houses a year, develops land and handles other investments.

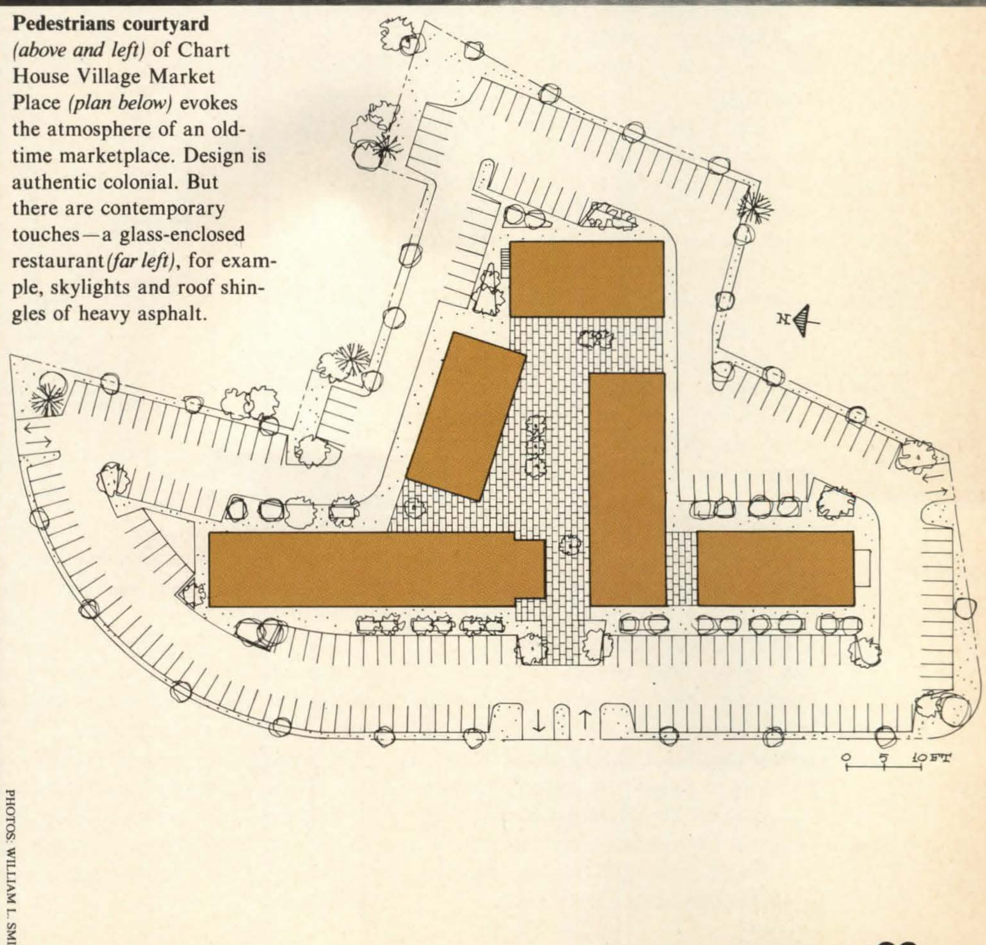
Annual commercial rents in the Village average $7 a sq. ft. plus 1½% of the tenant's gross.

"If a shop owner has a bad month, the overage doesn't kill him," Bornsteln notes. "And when business is good, we all benefit."

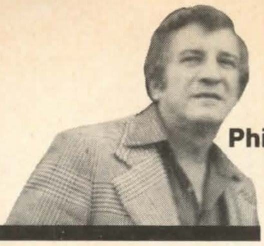
Apartments opened at $265 for one-bedroom, $295 for two-bedroom units.

"That may seem low," says Bornstein, "but during off-season, you can rent a good house around here for $150."

Pedestrians courtyard *(above and left)* of Chart House Village Market Place *(plan below)* evokes the atmosphere of an old-time marketplace. Design is authentic colonial. But there are contemporary touches—a glass-enclosed restaurant *(far left)*, for example, skylights and roof shingles of heavy asphalt.



PHOTOS: WILLIAM L. SMITH



Phillip Settecase of Salem, Ore.:

"Take a chance on recycling old downtown buildings"

A group of Salem investors did just that with, Settecase reports, the following results:

- They turned three vacant old buildings—one an historical landmarket—into a lively collection of shops, restaurants and offices.
- They started a downtown revival. Says Settecase: "Now other buildings in the area are being rehabbed, and property values are rising sharply."

Architects Settecase and Howard Smith, both partners in Payne Settecase Smith Doss of Salem, are among the investors, who also include several principals of Grabenhorst Brothers, a leading local realty firm.

The joint-venturers launched their project for four reasons:

1. Salem's core was ripe for rehab. The deterioration of the late sixties and early seventies seemed to have bottomed out, says Settecase, "and we had a hunch the area was ready to head uphill."

2. The price was right. For example, the century-old Reed Opera House had been empty for two years and was bought for $115,000. The three-story, brick-and-stone building contains about 38,000 sq. ft., including a basement that was converted to retail space. Renovating the opera house and the two adjoining buildings—both of more recent vintage—cost $1 million.

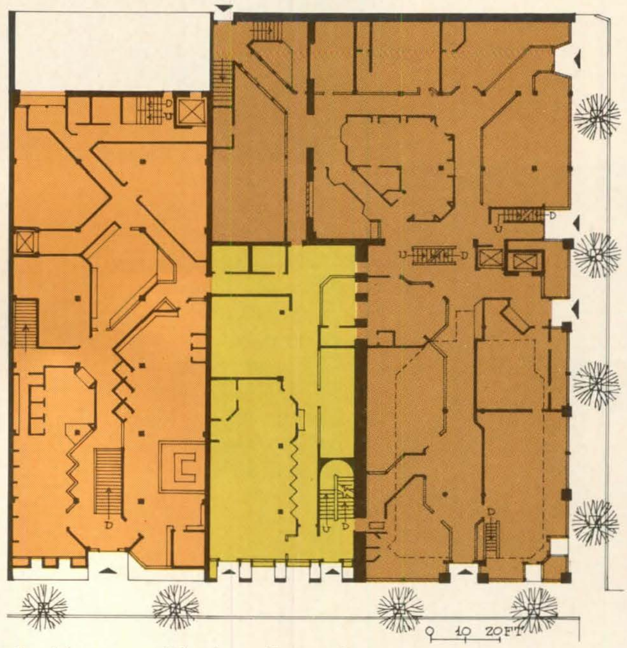
3. Salem's citizens seemed somewhat disenchanted with suburban shopping-center sprawl. Shoppers interviewed by Settecase's staff complained of long walks from cars to stores and from store to store. They welcomed the idea of a compact mall—closed, "vertical" and including specialty shops and restaurants.

4. There was strong public sentiment for historic restoration. The opera house, built in 1870, is one of only three 19th-Century buildings still standing in Salem. Its restoration won it a spot on the National Register of Historic Buildings—and thus, Settecase notes, exemption from an increase in real estate taxes for 15 years.

"That," he says, "is one practical benefit of restoring historic buildings. Another is publicity, which, of course, attracts tenants."

At least a dozen stories in local papers dealt with the project in general and the opera house in particular.

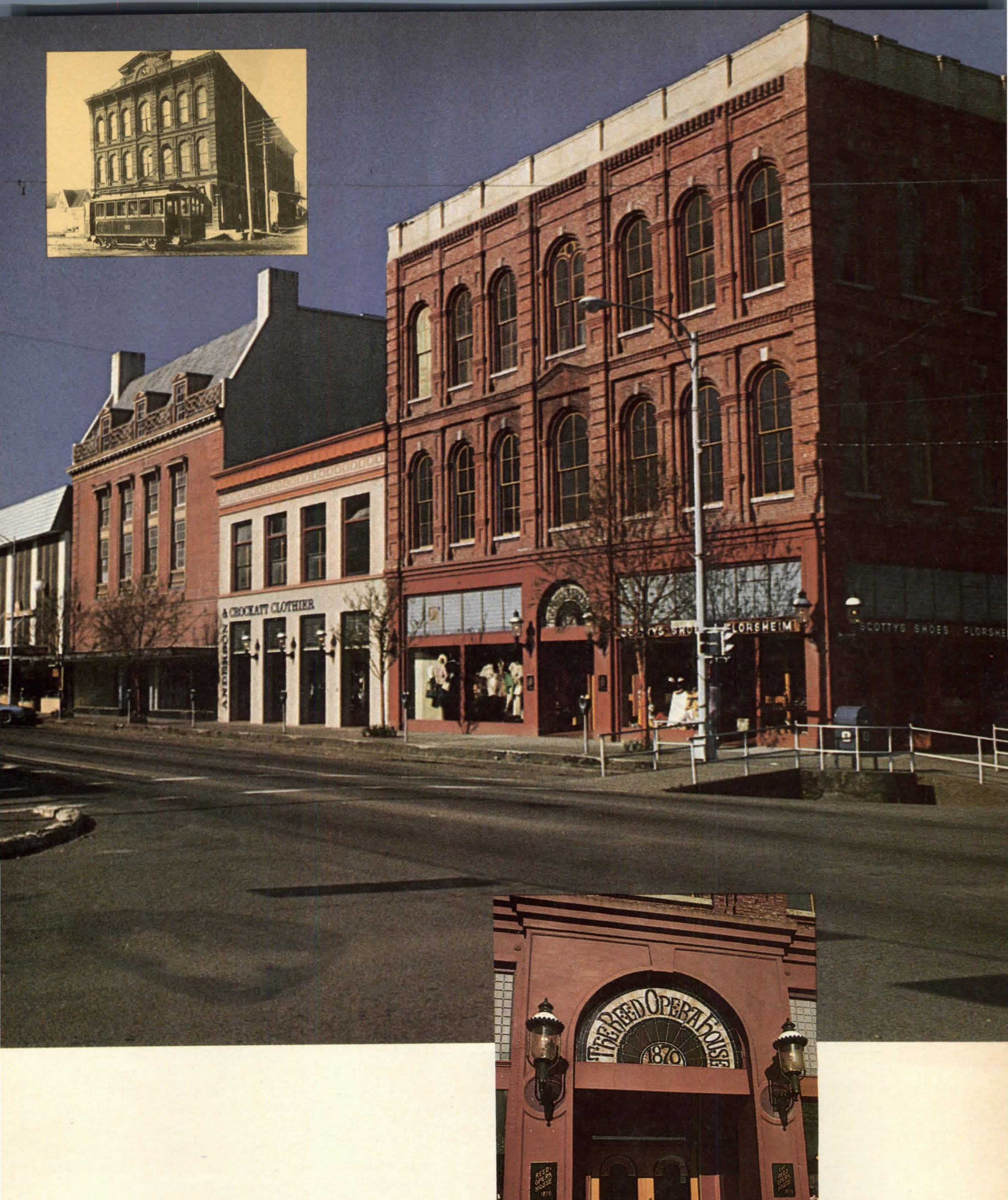
The investors were selective about tenants, seeking shops and restaurants with merchandising flair and originality. They could have rented the whole lower level of the opera house to one store but chose instead to break up the space for several small shops. Reason: "To spread the risk in case a tenant



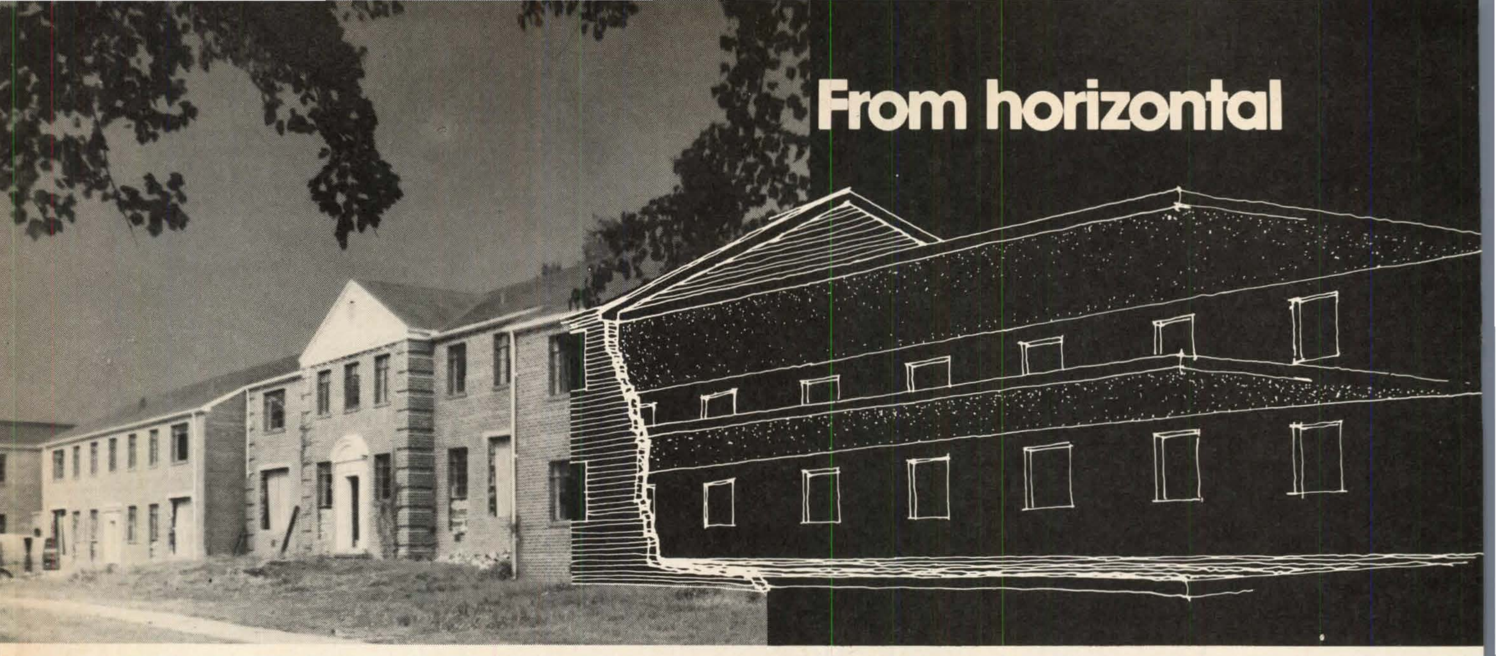
should go out of business," says Settecase. "And also because a lot of shops, each with its own personality, are a better attraction than one big store with a single look."

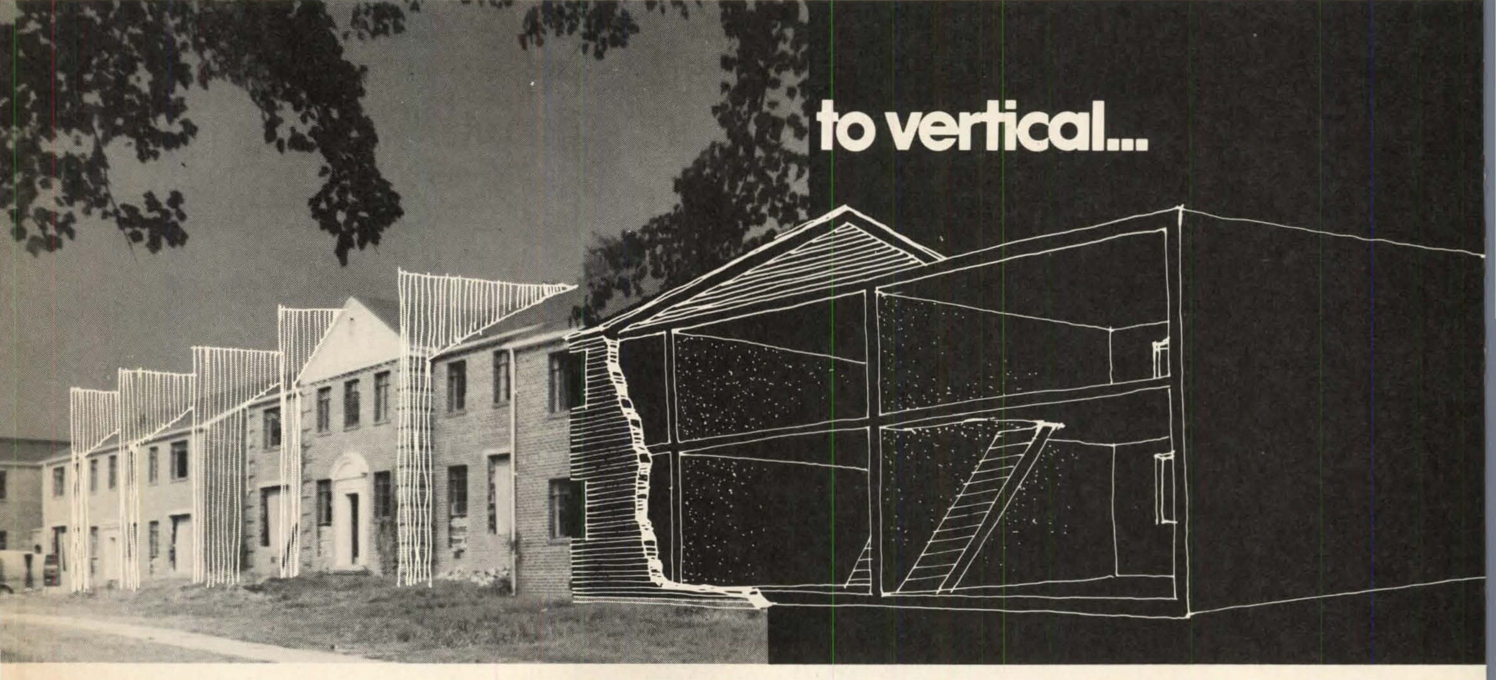
Leases range from three to 15 years at from $6.60 to $9 a sq. ft., plus 6% of that portion of a retail tenant's gross income above his annual rent.

Any unsolved problems? Yes, says Settecase. Lack of convenient parking has delayed office rentals. But, he adds, it will be solved in a month or two when a 500-car garage opens two blocks away.



Century-old Reed Opera House — at right above and in old photo (inset) — was anchor in a downtown Salem project that connected it with two smaller and more recent buildings: two-story Kidde Building (1926) and mansard-roofed Montgomery Ward Building (1936). A single interior mall of 40 shops resulted, as first-floor plan *(above left)* indicates. Once-vacant buildings also contain office space. Architect Settecase scouted wrecking yards for details such as gas lamps *(right)*.





...drab apartments

They could have done what most developers do—apply cosmetic touch-up to these 1946-vintage rental apartments and convert them directly to condos. In the red-hot Washington, D.C. market, the developer, Kenwood Forest Associates, probably would have made a respectable profit.

But they went for broke and came off a big winner. The company spent $5 million turning these horizontally-laid-out flats into two-story condos.

Result: they stirred up so much buyer excitement, all 116 townhouses—ranging from $68,500 to $112,500—were sold in eight days. Buyers packed the sales office on opening day, attracted by word-of-mouth and one sign outside the project.

Profits worked out to "about $15,000 per townhouse," says K/F Associates.

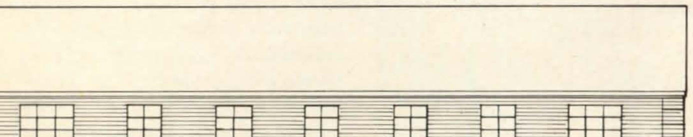
There were three reasons for the rapid sellout: location, price and good looks.

The right location is in a neighborhood on the way up, or a passed-by pocket in an upscale area. Kenwood Forest fits the latter mold—sandwiched between a community of high-ticket houses and a fashionable suburban shopping center.

The right price is one that gives more for less to the buyer and still leaves a healthy profit for the investors. Proof that this was a top value came when the first turnovers were sold. "We upped the price by as much as $20,000 and sold them as fast as they went on the block."

Good looks is a result of an eye on the market, attention to detail and ambiance. The "Georgetown" look is number-one in popularity for D.C.-area buyers, and K/F Associates made sure its application wasn't phony. But the clincher was "instant ambiance"—mature elms, oaks and maples.

turn into fast-selling townhouses



RE

AFTER

Steel casement windows and common brick facade on "before" elevation *(above)* gave the apartments a dreary, institutional appearance. Key changeovers were wooden double-hung windows, panelled doors and Colonial detailing *(above and photo)*.

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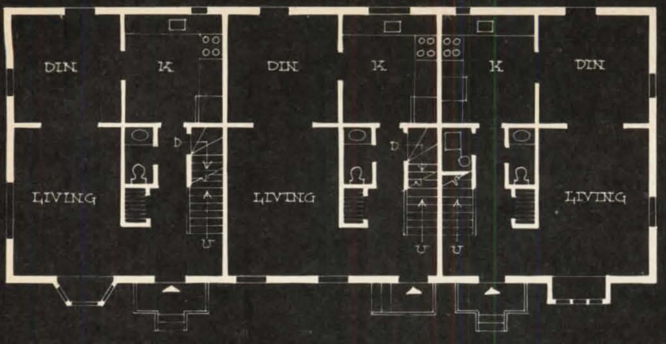
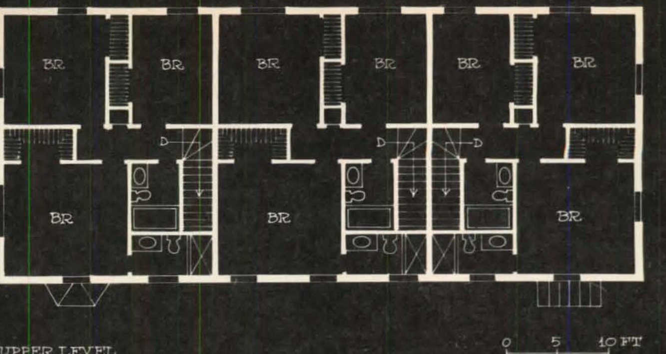
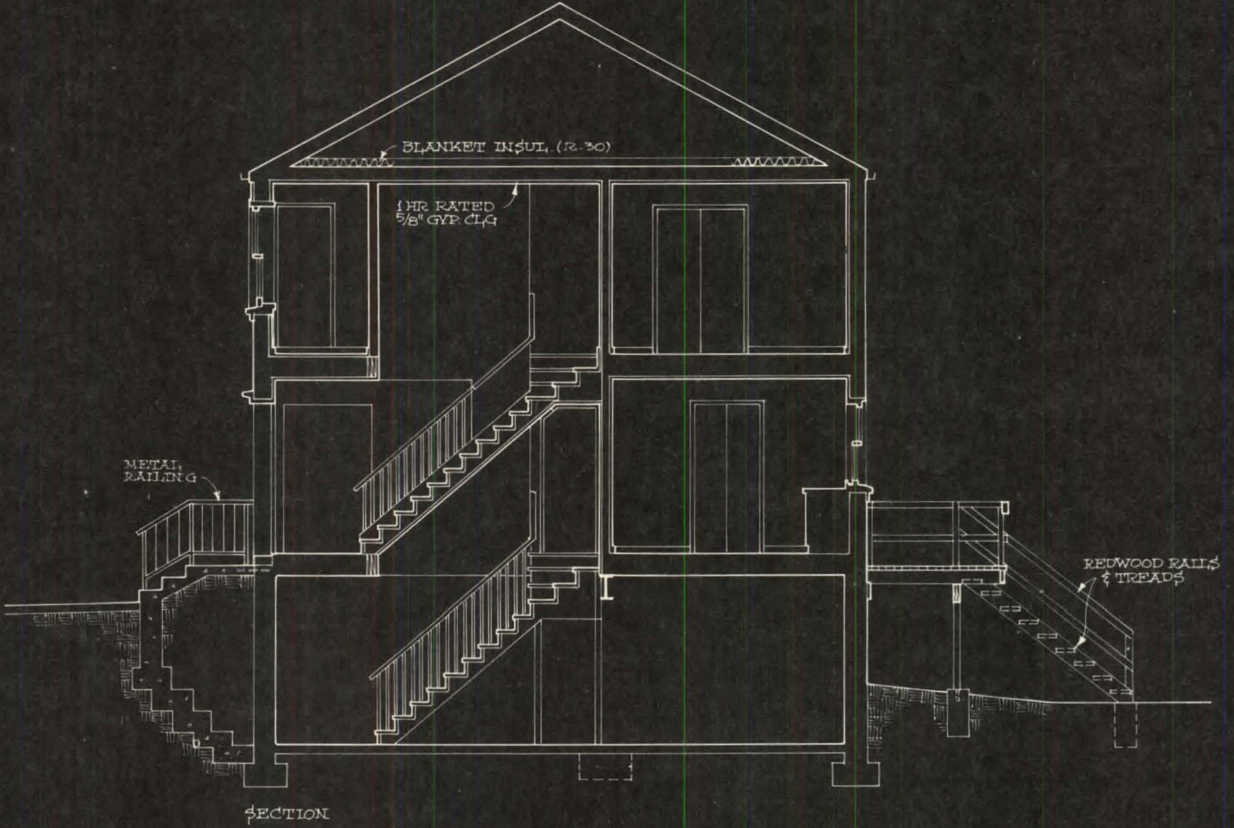


LOWER LEVEL



UPPER LEVEL



SECTION

Floor plans *(above)* are typical of Kenwood Forest interiors. Two-floor unit displays a good traffic flow, bath design, considering size (1,230 sq. ft.). Cross section shows new stairs, front entry steps and rear entry redwood deck. Furring *(left)* reveals a design decision for the facade: siding will cover 1⅓ units. This trick relieves exterior monotony; improves appearance of the building, viewed end to end. Window shutters go up after siding is applied.

What sets rehab apart from new?

"It's messier and tougher," says the developer. "Every window has to be measured separately. Some of the joists are usually rotted, and replacing plumbing and wiring often means grubbing around the crawl space.

"None of our men had done any rehab before. The first eight months we nicknamed the site, 'Kenwood Forest U.' Everyone was learning."

The project turned out successfully because they made two smart moves at the start. First, they hired the top rehab specialist in the D.C. area, Elmer L. Klavens, as consultant. Second, they took on one of Klavens's best lieutenants, 64-year-old job super John Musumeci. When the crew had questions, Musumeci had answers.

K/F Associates went through several rounds of hiring and firing. "Now we've put together an experienced team. The next phase of 300 units is going to move along smoothly."

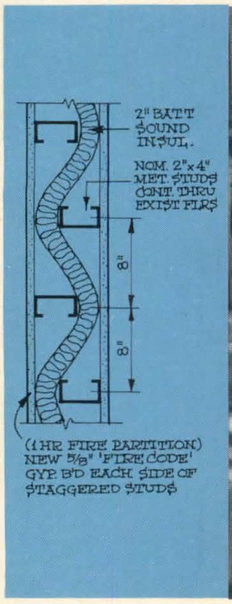
All the buildings were gutted, leaving the outside shell and a center bearing partition. Facades were altered to produce a distinctive appearance for each unit. Variations included cleaning existing brick, painting it white, and furring out to add clapboard or cedar shake siding.

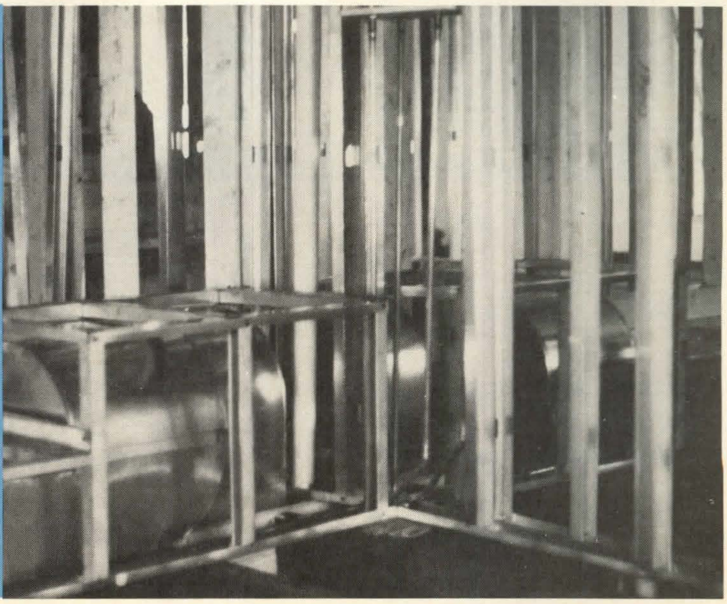
Ceiling insulation was beefed up from R-11 to R-30. Storms were provided for all windows, and cracks were well caulked. Ducts and pipes got wrapped with insulation, and the common oil-heat system was scrapped for individual heat pumps.

White appliances, sheet vinyl flooring with a white background and dark wood cabinets *(above)* were standard in every kitchen—no choices, no options. Refrigerator, washer, dryer were included.

New French doors from the dining areas open to redwood decks *(below)* added as a design extra for rear egress, instead of stoops. Lath covers space beneath deck to store bicycles, rolling toys.

Plan view of party wall *(right)* shows 2''-thick insulation blanket was woven among staggered steel studs, 8'' o.c. Stud design, insulation and 5/8'' fire-rated gypsum board produces a better-than-average sound barrier. K/F Associates specified steel studs throughout *(photo, right)* "because they're easier to carry, store and cut—all important on rehab work." Job super says a carpenter can learn to work with steel studs after one day's training.





Balconied townhouses at Loon Mountain in Lincoln, N.H. For details on this resort project, see page 78.

New tactics to sell the changing resort market


STEVE ROSENTHAL

You can't do it with promises any more.

Resort development was largely a matter of selling land ten years ago. Today's developers have to sell housing.

"Once you could attract buyers with road signs that merely promised a great community," says Robert L. Boone of St. Thomas Island, Ga., a management consultant specializing in second-home properties. "Now they want to see what you've got. And it better be as good as what your competitors offer."

Today's second-home buyers are as concerned with floor plans, amenities, architectural styling and value as any purchaser of a primary house. That's because most are looking for a vacation unit that they can use right now.

"The days when you bought property as an investment or for future retirement are just about over," explains Michael L. Horst, vice president

TO NEXT PAGE

of Economics Research Associates, San Francisco planning consultants. "Buyers are now demanding fully functioning communities with their recreational facilities built and people living there."

One consequence is that second-home prices have increased faster than those for primary homes. A 1978 survey of members of the American Land Development Association, the trade group for resort developers, shows the average price for their housing rising from $26,272 in 1971 to $83,325 last year. Respondents cited these reasons:

•Today's resort communities hardly compare with yesteryear's counterparts. They have more housing types, more recreational facilities and more complex infrastructures.

•Land costs have skyrocketed because of tighter environmental regulations and a scarcity of buildable land. Almost one-quarter of those in the ALDA survey saw government regulation as the biggest problem facing the industry—more so than building costs or lack of financing.

•Front-end costs have soared because rec facilities must now be built first.

•And buyers want better products.

"We're seeing larger baths and closets, upgraded kitchen equipment, more elaborate floor plans and more attractive elevations," says Richard L. Ragatz of Eugene, Ore., the market analyst who conducted the ALDA survey.

Second-home buyers can afford the prices because they've changed too. According to ALDA's members, they're older—an average 45 vs. 40 in 1971. They have more mobility, mainly because they're better heeled—an average income of $40,000 a year vs. $20,000 in 1971. And they're smarter about homebuying because they've usually owned a couple of primary houses.

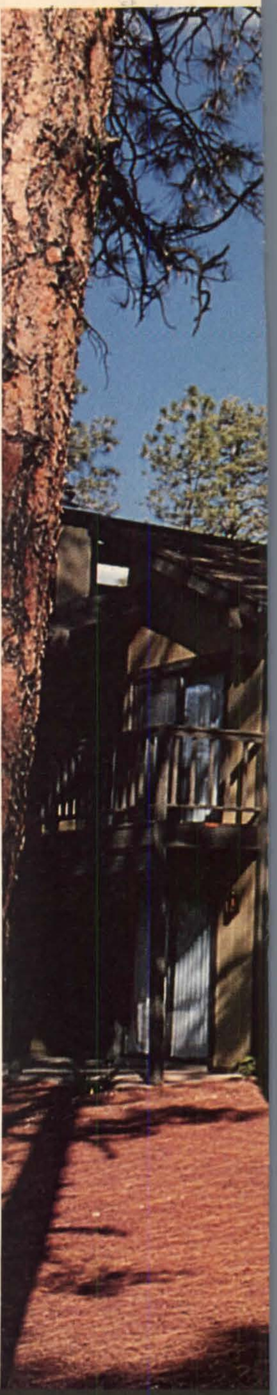
"The surveyed builders have no difficulty in attracting buyers or in getting them qualified," says Ragatz. "These items were rated ninth and tenth on an 11-point checklist of potential industry problems."

Buyers will stretch their budgets a lot to get the second home they want. Even those who can't qualify for conventional ownership are entering the market by going into time-sharing.

"Only 12% of ALDA builders surveyed in 1977 had shared-ownership programs," says Ragatz. "This year, it was 23.8%".

On this and the next seven pages are four successful second-home projects. They range widely in location—from the mountains of New Hampshire to the California desert—and in price—from $26,000 to $95,000. But all have a common thread—new marketing strategies designed to capture the second-home buyer in today's changing market. —JOEL G. CAHN

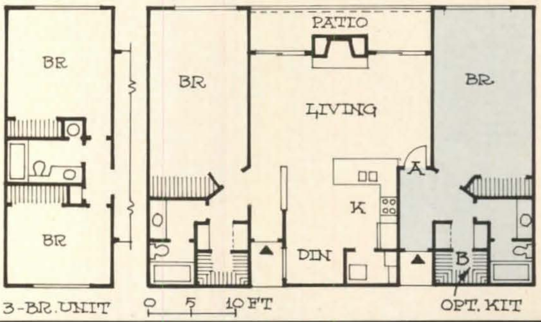
PHOTOS: RANDY BAILEY



Detached house *(above)* is created by placing an apartment flat on a single-family lot. It is preferred by families who want extra privacy. Price: $59,900 plus lot and site work.

Apartments joined in up-and-down quads *(right)* are the choice of empty nesters who like to live near the project's rec facilities. Price: $56,900 for lowers, $59,900 for uppers.

Conversion of flat to two units is achieved by locking door between master-suite foyer and living room *(A in plan below)* and adding pullman kitchen *(B)*.



The Arizona mountains: A plan that

The 1,496-sq.-ft. flat shown here is fairly standard for vacation homes. But it has intriguing twists:

•The layout works for two households or one.

•And it can be used for either apartments or single-family houses without any interior changes.

The home converts easily into two separate units of 1,023 and 473 sq. ft.—lock the door between the master-suite foyer and the living room and then add an optional pullman kitchen in an alcove off the foyer *(floor plan, above)*.

Each unit has its own entry, and the cost of adding the kitchen—$850—is low enough for the most budget-conscious buyer.

The system offers four occupancy options:

1. Live in the entire home.

2. Buy with a friend or relation and divide the home.

3. Live in a unit and rent out the other.

changes with the buyer's mind

4. Rent out the entire home, divided or not.

"Owners often live in the larger unit and rent out the smaller one during peak vacation periods," says L.C. Jacobson, who offers the plan in two and three-bedroom versions at Pinetop Lakes, an 800-unit project in eastern Arizona. "For the rest of the year, they turn the entire home over to a rental company."

Jacobson devised the convertible approach last year because many buyers were concerned over the time their homes were unoccupied.

"Now that they can rent out two units," he explains, "the combined return usually exceeds their debt service."

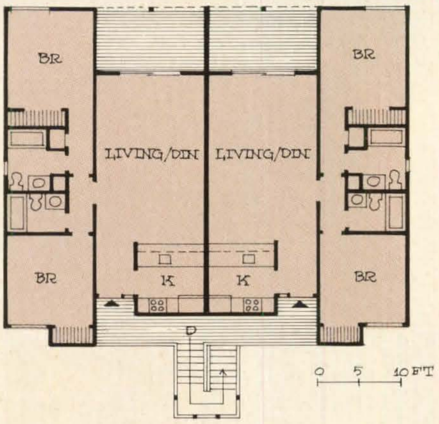
Sales have confirmed Jacobson's judgement; 212 condo apartments, arranged in up-and-down quads, have been sold in 18 months at $56,900 for lower units and $59,900 for upper. And 100 reservations have been taken for new multifamily units, which will open in January.

"We've also sold 15 single-family lots this year to builders who are putting up freestanding versions of the flats," Jacobson says. "They're outselling any other detached plan in the project."*

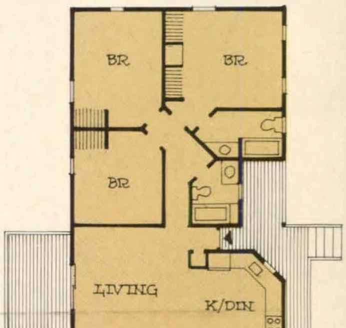
*All building at Pinetop Lakes is done by independent builders who buy land from Jacobson and construct only designs that he approves. The quads are being built by Shaw Development Co.; a variety of builders are putting up detached homes on single-family lots.

MORE

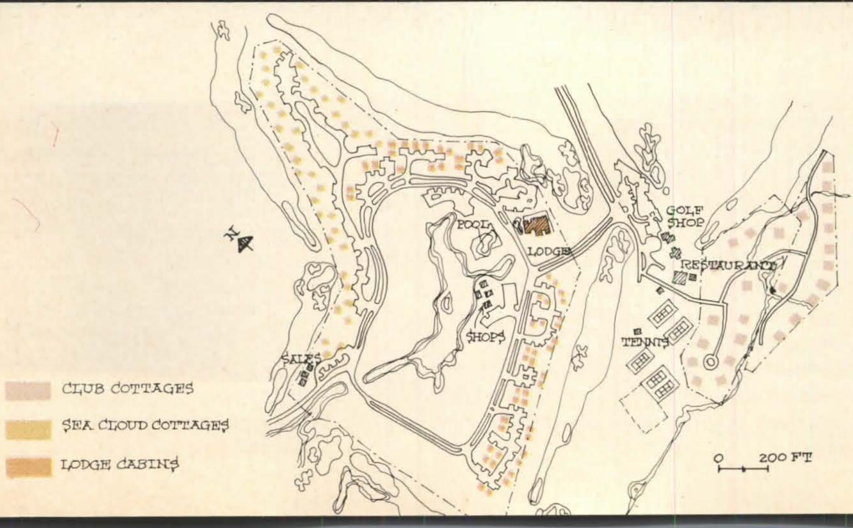
PHOTOS: WALT BROWNLEE



Duplex cottages *(photo above, plan right)* sell strong to empty nesters who like such features as widely separated entries and private, screened porches. Buildings, elevated on piles because much of project lies in a flood plain, are sited close to clubhouse, golf and tennis courts. Shown here is best seller, 1,100 sq. ft. with two bedrooms, selling for $62,000. Three-bedroom version with 2,100 sq. ft. goes for $70,000. Architect: Lee & Partners, Hilton Head, S.C.



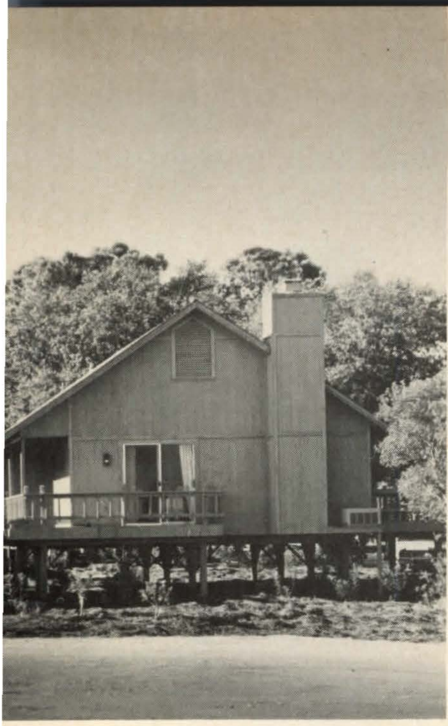
The South Carolina coast: A something-for-everyone

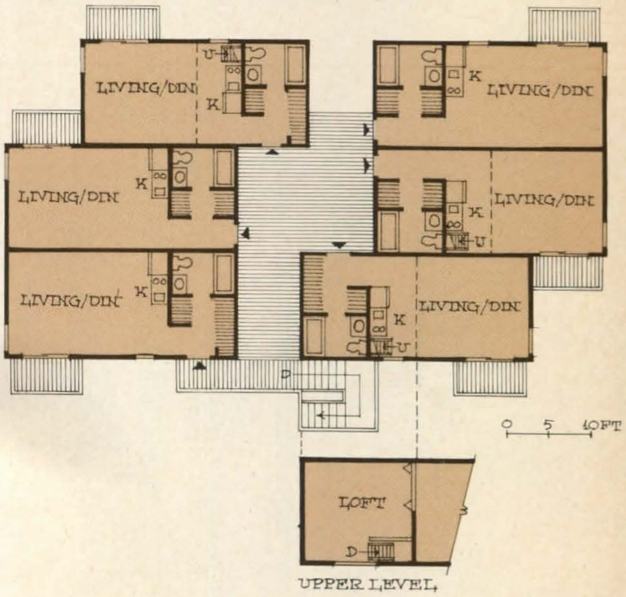


Since *opening in spring*, this 300-acre fee-simple coastal community has attracted virtually every type of buyer from young couples to semi-retired empty nesters.

"We're offering second homes priced from $26,000 to $70,000 in an area where prices at other projects begin at $75,000," says Richard Guerard, real estate vice president for the developers, Oristo Development Co.

The Oristo project also attracts buyers with a shotgun marketing





Detached cottages *(photos above left and above, plan left)* appeal to families with young children. Boardwalks connecting groups of four units are used for socializing by parents and as play areas by children. Three plans fit different family sizes. Shown is largest and most popular unit, with three bedrooms and 1,232 sq. ft., selling for $65,000. One-bedroom plan has 696 sq. ft. and sells for $42,500; two-bedroomer, 896 sq. ft., sells for $49,500. Architect: Joe Hall, Hilton Head, S.C.

Lodge cabins *(photos above, plan right)* feature community decks, which serve as outdoor social area for each four and sixplex grouping. Units cluster around restaurant/lounge, which attracts young singles and couples. Two layouts are seen in sixplex plan at right—480-sq.-ft. flat for $26,000 and 670-sq.-ft. flat plus sleeping loft for $33,000. Architect: Collins & Kronstadt/Leahy-Hogan/Collins, Silver Springs, Md.

ousing mix

approach that includes three housing choices *(site plan at left)*:

- Large duplex cottages (two plans, 1,100 and 2,100 sq. ft.) sited close to clubhouse and recreational facilities. These have appealed to older buyers who stay as long as nine months a year. They want privacy but don't want to be far from their leisure-time pursuits.
- Smaller, freestanding cottages (three plans, 696 to 1,232 sq. ft.) connected in groups of four by boardwalks. They've attracted younger, vacation-oriented families who often enjoy socializing with neighbors.
- Scaled-down cabins (two plans, 480 and 670 sq. ft.) grouped in four and sixplex combinations around a restaurant/lounge. They've sold well to young singles and couples who come mainly on weekends and want a low-priced, maintenance-free unit in the middle of all the action.

All three housing types have sold well. The initial 26-unit duplex phase sold out in four months at $62,000 and $70,000. Nine freestanding cottages were released in late summer and five have gone at $42,500 to $65,000. And 17 of the first 30 cabins have sold at $26,000 and $33,000.

Another selling point: All units come furnished down to dishes, silverware and vacuum cleaner.

"Buyers must take the $5,000 furnishings package," says Guerard. "But they all like the idea of not having to furnish a second home."

MORE →

Formal interiors of Sommerset vacation homes give buyers a sense of living in a primary house. Note floor-to-ceiling mirror and ornate light fixture in dining area *(right)*; and luminous ceiling panels, breakfast nook and custom cabinetry in kitchen *(far right)*. Interior designer: Carole Eichen Interiors, Fullerton.

The Southern California desert: Vacation homes that

Vacation-home buyers will usually accept designs and floor plans that would never be found in their year-round houses.

Not so for purchasers of townhouses in this resort community in Palm Desert, Calif.; they want second homes that look and feel like their primary residences.

"That's because our buyers aren't really looking for traditional vacation homes," says Nancy Hoover, marketing manager for Biddle Development, which is building the 193-unit Somerset project. "Most are close to retirement. They expect, quite soon, to use their units all year long."

Moreover, almost half are out-of-state buyers. Their average income is $70,000, and most are professionals or corporate executives.

"So they can get away for long periods," explains Hoover. "And while they're here—for a month, or for the entire winter—they want to live the way they do back home."

Biddle accommodates with what is essentially a scaled-down version of a primary house. Specifically:

- Ownership is fee simple, and small front and rear yards are included in the purchase.
- Units are large by vacation-home standards, and layouts are varied. (Four one- and two-story plans are offered, sized 1,314 to 1,747 sq. ft.)
- Exterior variety is provided by recessed side entries, staggered setbacks, attached garages and carports

PHOTOS: GARCIA & CARMER

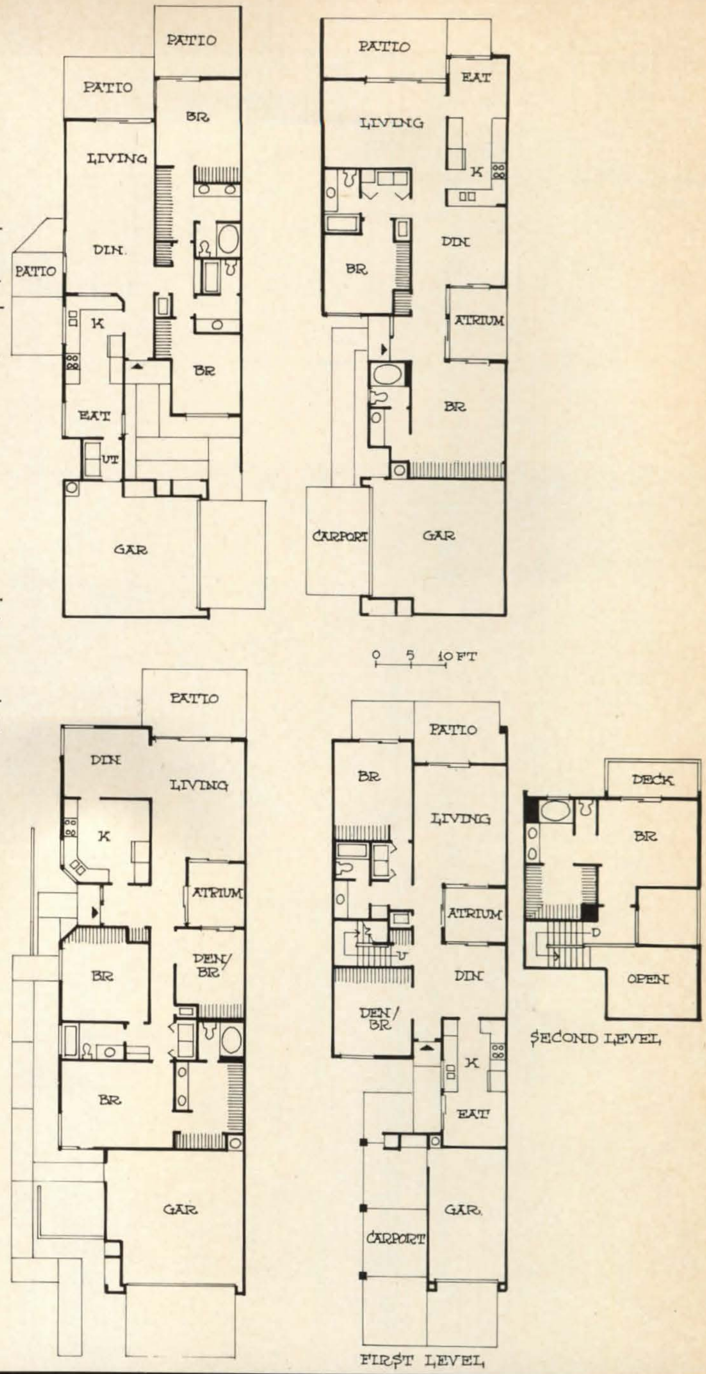
Streetscape in model area *(left)* has the look of a suburban community. Architectural variety is provided by staggered setbacks, broken rooflines, covered storage/utility areas and heavy landscaping. Recessed side entries *(above)* add extra measure of privacy. Units are sited from two to four to a building; density is 5.7 per acre. Landscape architect: Frank Radmacher & Assoc., Tustin.

Four layouts give buyers as much floor-plan choice as in almost any primary-house project. Such amenities as ceramic-tile entries, attached garages, his-and-her closets and a full package of kitchen appliances are more typical of year-round housing. Note use of atriums in three larger plans.

Best seller is project's smallest plan *(near right)*; it has 1,314 sq. ft. and opened at $74,990.

Largest plan *(far right below)* has 1,747 sq. ft. and offers second-floor master suite with private deck, vaulted dining room and den/bedroom option. It opened at $85,990.

Midsized plans *(far right above and right)* have 1,422 and 1,664 sq. ft. respectively and opened at $80,990 and $84,990. Architects: Morris-Lohrbach & Assoc., Irvine.



live like primary houses

and heavy landscaping.

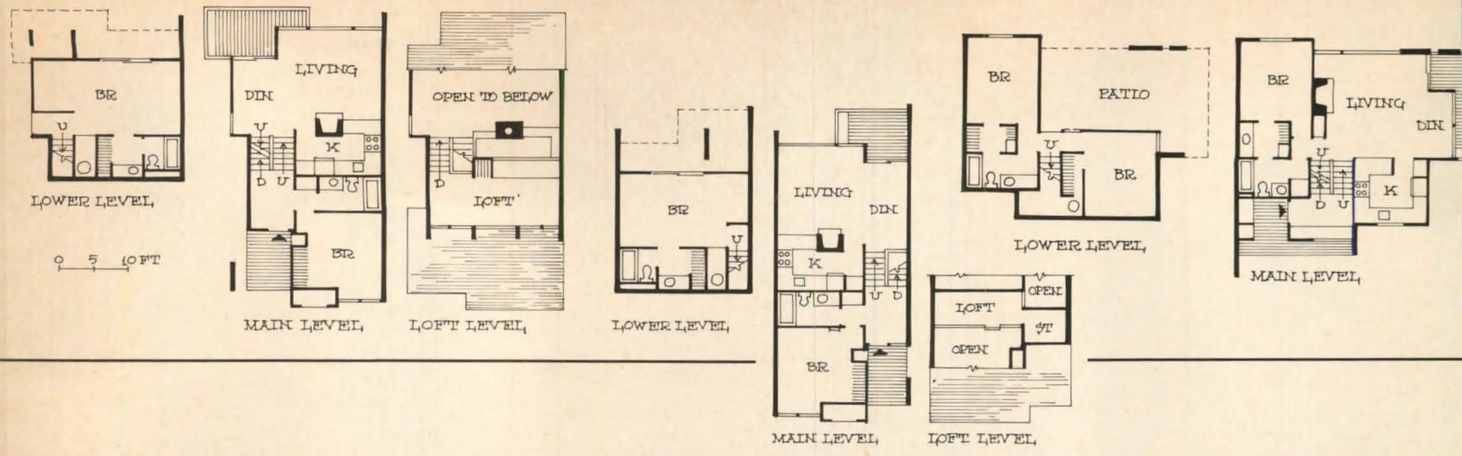
●And interiors feature atriums, vaulted ceilings, formal living/dining areas, bedroom/den options, walk-in closets, master-suite dressing areas and a full kitchen-convenience package.

"We've given buyers all the comforts and conveniences of a single-family community," says Marshall Fant, Biddle's executive vice president. "And we've added a desert location that has strong appeal to people from other parts of the country."

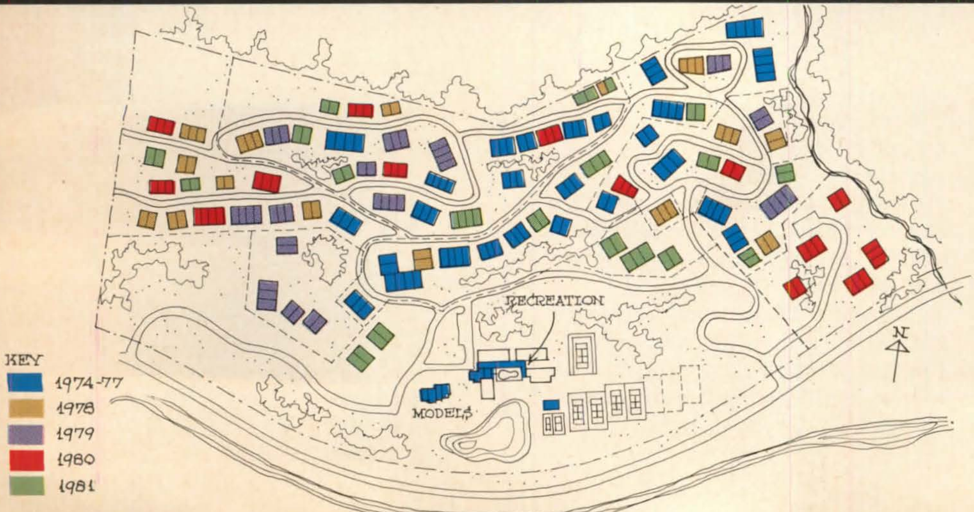
Buyers have been snapping up the project's homes. The 43-unit first phase opened in March and sold out in two months at prices from $74,990 to $85,990. Another 45 homes were released in July and they went in 45 days at $81,990 to $94,990.

"So we put 55 additional houses on the market this month—four months ahead of schedule," says Fant. "These will be priced up to $6,000 a unit higher."

MORE



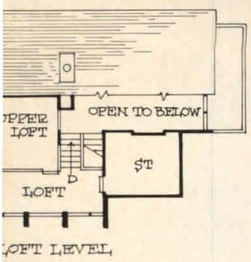
The New Hampshire mountains: Where today's site buyer



At first glance it looks like just another land deal. It is not.

Each townhouse building in this fee-simple project has a specific construction date *(site plan left)*. And at that time buyers of units in the grouping must build—at the prevailing price of their home when it breaks ground.

"We tell buyers about how much their unit will cost based upon projected labor and material increases," says Edward S. Keating, who is developing the 240-unit Loon Moun-



PHOTOS: STEVE ROSENTHAL

Typical townhouse building *(photo left, plans above left)* contains three split-level units, designed for downhill siting to take advantage of grades up to 20%. Except for dormer windows on end unit, left and center townhomes have identical four-level layout; right unit features split-level loft that has appealed to families with young children because upper portion makes an ideal playroom. Project's townhouses are grouped two to four to a building in varying combinations of floor plans, with entries in front *(photo opposite)* and views and decks in rear *(photo page 70)*. Architects: Huygens and Tappe, Boston. Land planner. Sasaki, Walker, Roberts Assoc., Sausalito, Calif.

Typical living room *(photo at right)* features vaulted ceiling and two-level fireplace that screens corridor kitchen. Interior decorator: Vermont Contract Furnishings, Rutland.

must build later

tain community with Austin Eaton in Lincoln, N.H. "If they can't swing the deal when their construction date comes up, we transfer them to a building to be built later."

Partners Keating and Eaton had planned a conventional condo project but development capital dried up in the '74 oil crisis. They then devised the buy-now, build-later plan, and have used it to sell 120 townhomes. They also have purchase commitments for 80 more, to be built over two years. (Three plans, from 1,250 to 1,850 sq. ft., currently sell from $39,950 to $57,950.)

"Financial people were wrong when they warned us that buyers wouldn't commit in advance for attached housing or build when they were supposed to," says Eaton.

The plan works because everyone makes out well.

- Buyers can guarantee themselves a vacation home but put off paying for as much as 75% of it for up to three years. (Homesites currently sell from $16,000 to $25,000.)
- The builders get development money from the sale of locations; they avoid spec building completely.
- And the community gets a slow-paced development plan spread over many years.

"That's important in conservative New England, where town fathers are leery about big developers coming in with big projects that are built all at once," Keating explains.

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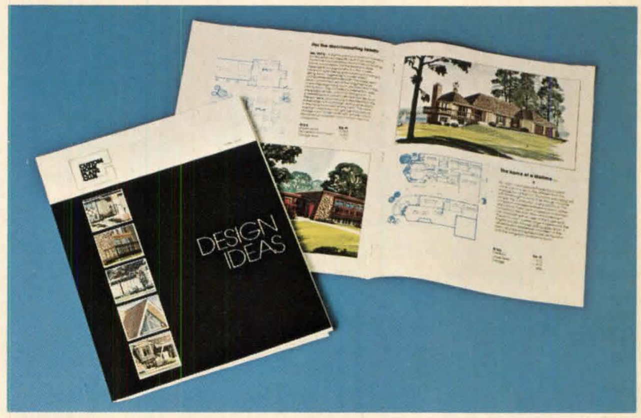

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membership fee, members may obtain additional working drawings at a 35% discount off published prices which range from $25 to $50 for single sets and from $50 to $75 for four-set packages—depending largely on the square-footage of single-family homes and the number of units for multi-family dwellings.

Drawn to FHA and VA general standards, these blue line prints—size 36" x 20"—are easy to read on a white background. Depending on the size and complexity of the house design, plan sets may include as many as nine sheets. Notes and drawings indicate location and types of materials to be used. With complete freedom of choice, Club members may order their 12 sets of detailed working drawings at any time during the 12-month membership period.

Club working drawings include: (1) Floor Elevations, (2) Complete Framing Plans, (3) Wall Sections, (4) Floor Plans, (5) Basement/Foundation Plans, (6) Roof Plan, (7) Plot Plan, (8) Kitchen Cabinet Details, (9) Fireplace & Built-in Details, (10) Specification and Contract Booklet.

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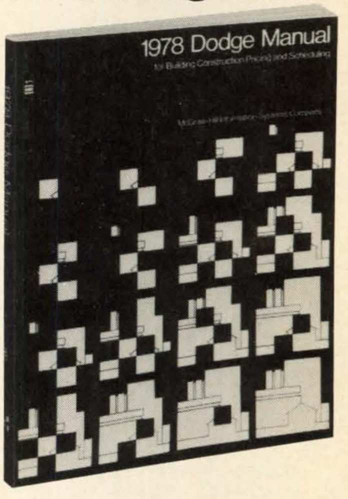

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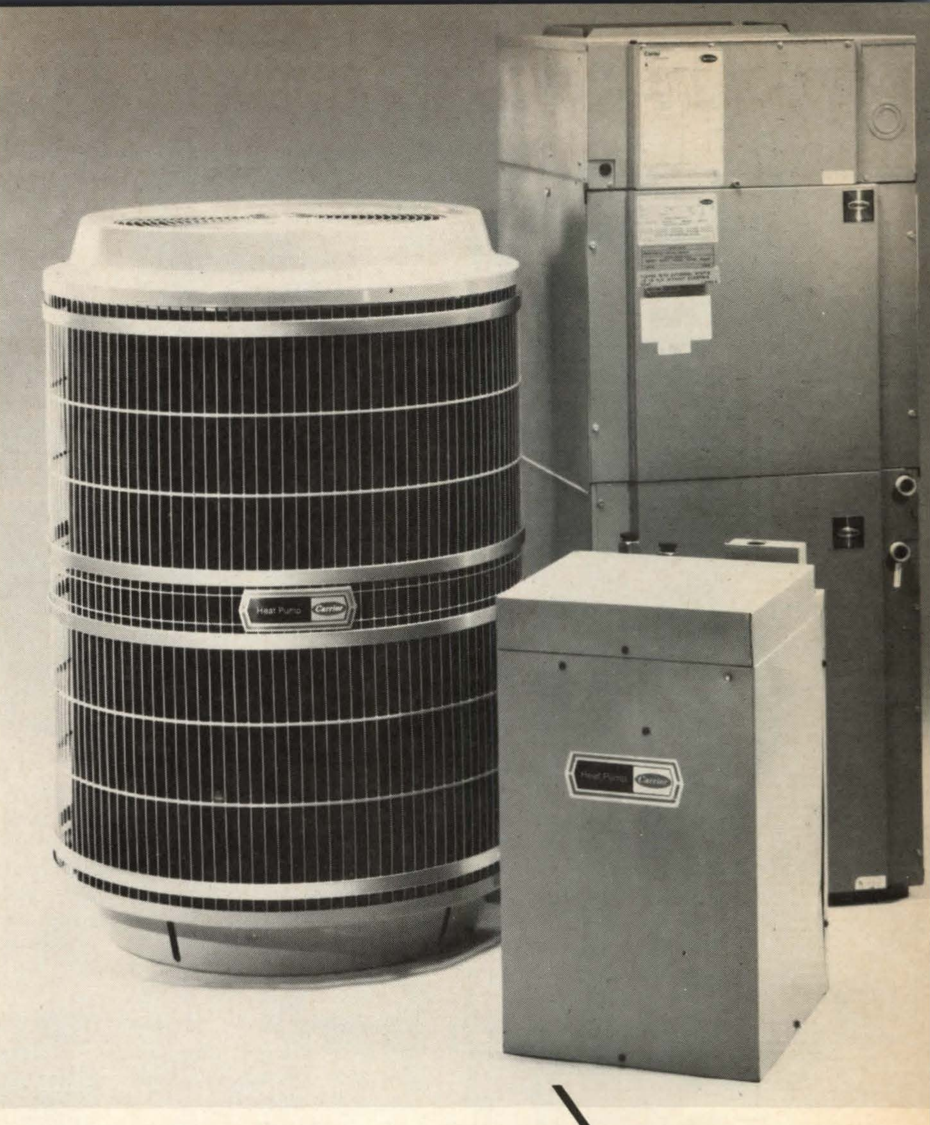
Something new in heat pumps: two-speed models

No longer is it necessary to compromise between undersized heating capacity and oversized cooling capacity when offering heat pumps.

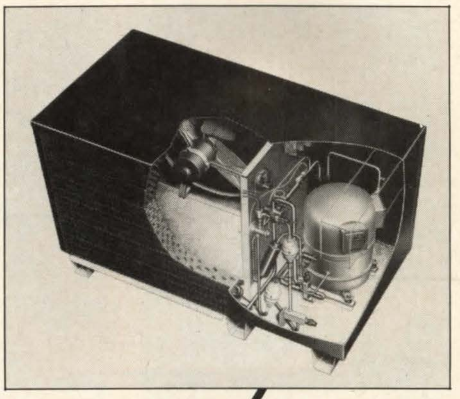
Two HVAC manufacturers, Carrier and Lennox, are now producing two-speed 2½/4 nominal-ton units which automatically adjust to outdoor temperature changes.

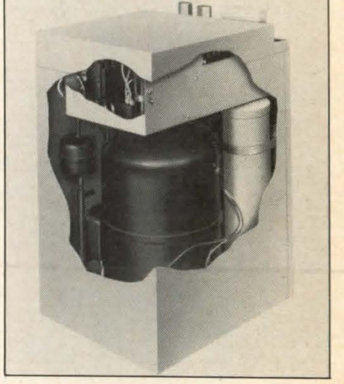
When winter temperatures are mild or summer temperatures are cool, a sensor on the compressor maintains the unit on low speed. The result is greater energy-efficiency on both heating and cooling cycles, saving money for the owner, as well as energy.

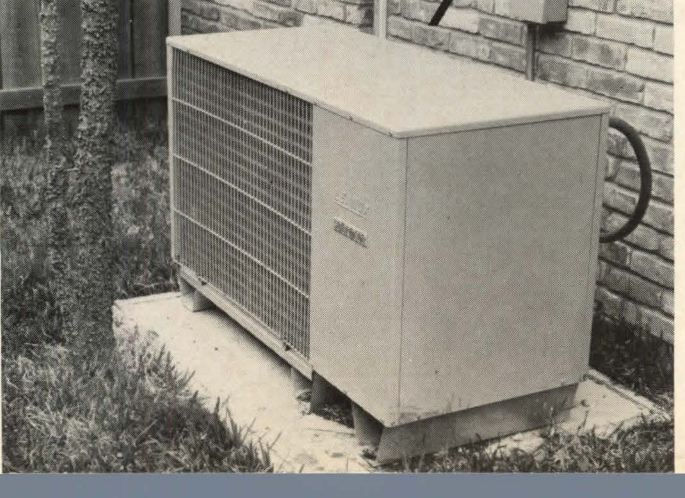
For more information: Carrier, Syracuse, NY. *Circle 200 on reader service card.* Lennox, Dallas, TX. *Circle 245 on reader service card*



Two-speed Lennox unit, HP11 Legend™ *(right and below)* will be available next month in 2½/4-ton capacity. A 3/5-ton unit is due on the market in the next couple of months.



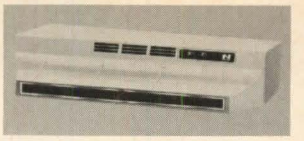




Two-speed Carrier unit, "38TQ Weathermaster III" *(above and top)* is regulated by a system that senses indoor humidity levels—as well as outdoor temperature changes. The heat pump is available in three different sizes.

PRODUCTS

Contemporary-styled cabinetry, "Ultima" *(above)*, is available in white or simulated oak finishes. The all-dowel-construction cabinets feature flush doors with concealed self-closing hinges. All wall cabinets have adjustable shelves. Excel, Lakewood, NJ. *Circle 201 on reader service card*



Duct-free range hood *(above)* features a two-speed mixed-flow fan. Unit includes an activated charcoal filter to remove odors and a washable aluminum grease filter. Nautilus, Hartford, WI. *Circle 204 on reader service card*

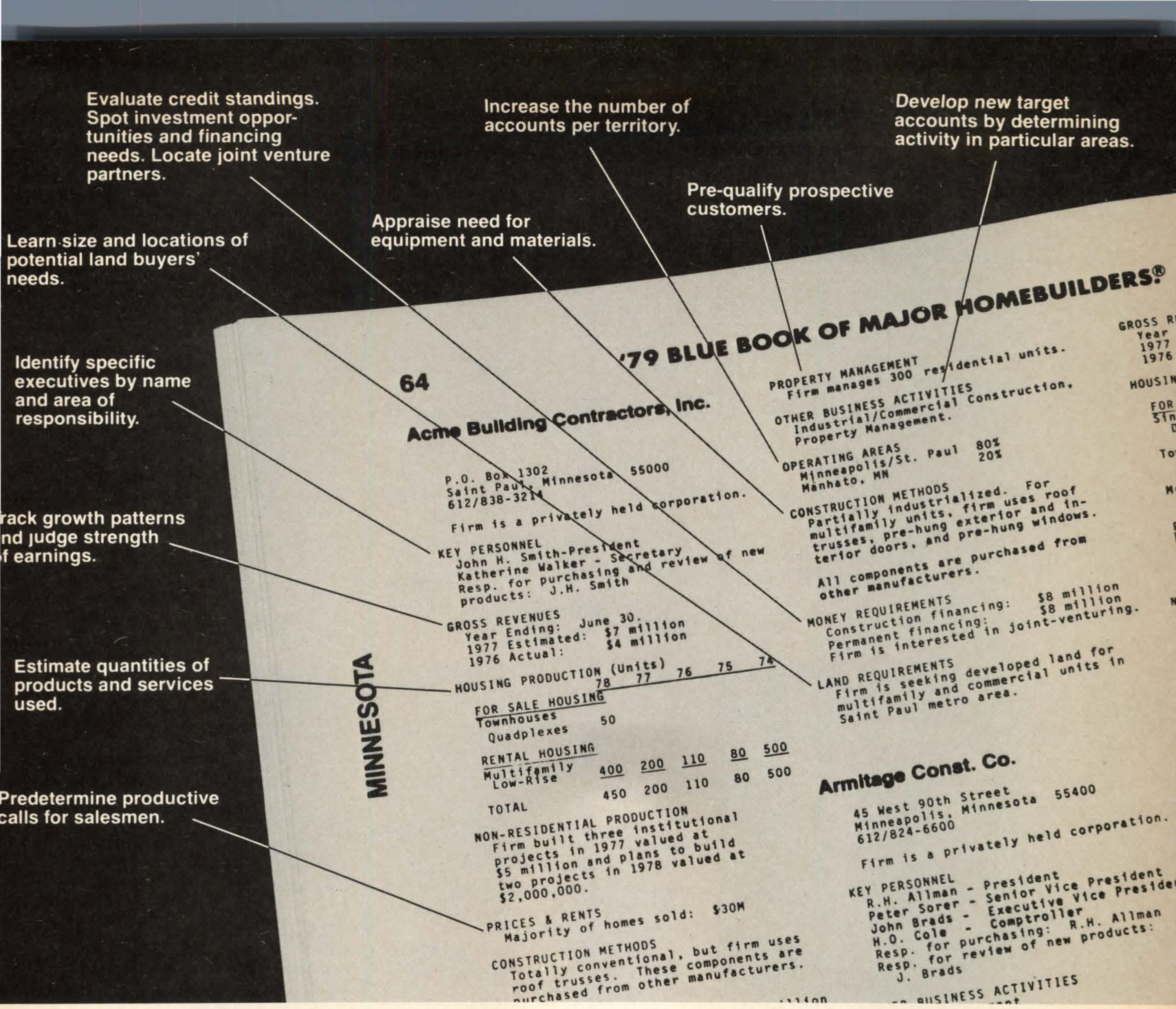
"Power 80" waste disposer *(above)*, with automatic reversing action, is driven by a ½ hp motor. Unit features stainless-steel grind components and 360° swivel impellers, which assure jam-free operation. Elkay, Broadview, IL. *Circle 205 on reader service card*

Wall-mounted ovens *(above)* may be installed separately or in combination. Lower self-cleaning full oven comes with a black-glass door. Microwave unit includes a browning element. Jenn-Air, Indianapolis, IN. *Circle 206 on reader service card*

High-pressure plastic laminate *(left)* is suitable for kitchen and bathroom cabinetry and countertops. The abstract-patterned surface is durable and easy to maintain. Wilsonart, Temple, TX. *Circle 202 on reader service card*

"Serie Graphis" ceramic tiles *(above)* may be used for kitchen walls and floors. Striped tiles come with or without a fruit motif. The 8''×8'' tiles are available in black and white or brown and white. Plain tiles with border may also be obtained. Hastings, Lake Success, NY. *Circle 203 on reader service card*

Traditionally-styled cabinetry, "Plantation Ash" *(above)*, features a stain- and scratch-resistant Durasyn™ finish. The cabinetry has 1''-thick hardwood frames with mortise-tenon joints. Drawers have oak sides, dovetailed at all four corners. Haas, Sellersburg, IN. *Circle 207 on reader service card*



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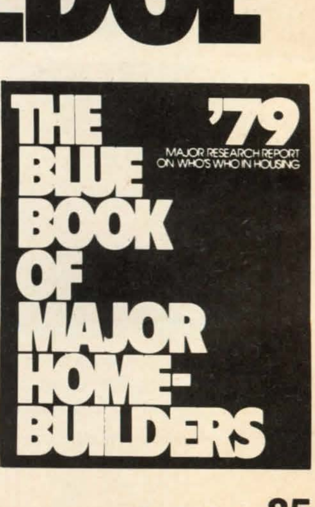

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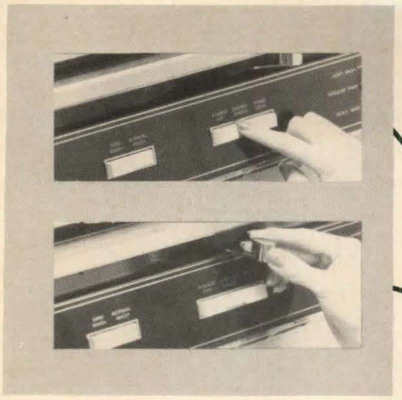
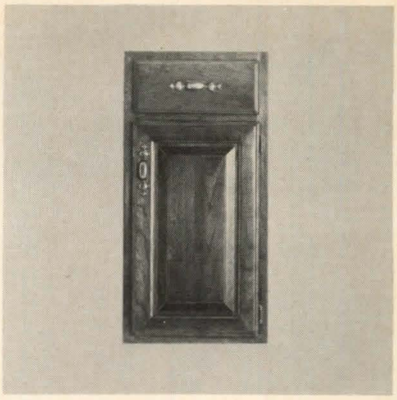


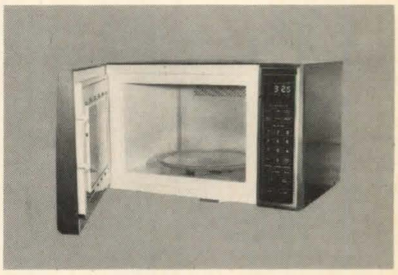
Portable dishwasher *(right)* features three-level wash action. "Energy Saver" and "Power Dry" controls *(top photo)* provide the option of fan-drying without using heat. The easy-to-operate door latch *(above)* is conveniently located at the top-center of the dishwasher front. Maytag, Newton, IA. *Circle 208 on reader service card*



Traditionally-styled cabinetry,"Leesport" *(above)*, is now available in cherry. The door, with raised-panel insert, is mounted on a mitered and splined frame. Cabinets come with durable wood-tone or natural finishes. Cabinetry is also available in oak. Quaker Maid, Leesport, PA. *Circle 209 on reader service card*

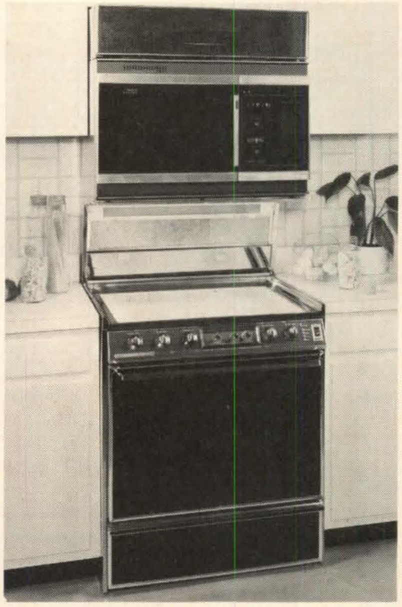
Convection gas range *(above)* features pilotless ignition. Range includes a self-cleaning oven with a see-through window. Tappan, Mansfield, OH. *Circle 210 on reader service card*

Touch-control washer *(above)* comes with a solid-state electronic control panel. Wash and rinse cycle durations and temperatures may be selected for different fabrics. Whirlpool, Benton Harbor, MI. *Circle 211 on reader service card*



Microwave oven *(above)* has a memory system that will store two full cooking programs for an indefinite time. Compact oven is 21½'' wide, 13¾'' high and 15¾'' deep. Sharp, Paramus, NJ. *Circle 212 on reader service card*

Built-in dishwasher *(above)* is easy to install. Two energy-saver cycles allow dishes to drip and air dry. Dishwasher has multi-level washing action. Hotpoint, Louisville, KY. *Circle 213 on reader service card*



Combination range *(above)* includes a microwave and a full-size oven. Lower self-cleaning unit offers a slow-cooking option. Modern Maid, Chattanooga, TN. *Circle 214 on reader service card*

Wall-mounted dual oven *(above)* is 27'' wide. Upper microwave unit features touch-sensitive controls and an electronic read-out timer. Sears, Chicago. *Circle 215 on reader service card*

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- Which of the wood finishes for cabinets is the most durable?
- How much light is needed per square foot in a kitchen?
- Which areas should have individual lighting facilities?
- What type of flooring lasts longest in a kitchen?
- How big a kitchen dining area is needed to seat six people comfortably?
- Which kitchen shape adapts best to family-room requirements?
- What is the minimum counter space that should be available on either side of a sink?
- When designing the kitchen "work triangle," what is the maximum number of square feet needed for convenient use?
- What single feature should *always* be avoided in a galley-type kitchen?
- How far from a window should the range be located to avoid burns when opening or closing the window?
- What two recent developments in oven design offer both time and energy savings?
- What part of a kitchen should always be on a separate circuit from the other work centers?

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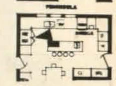

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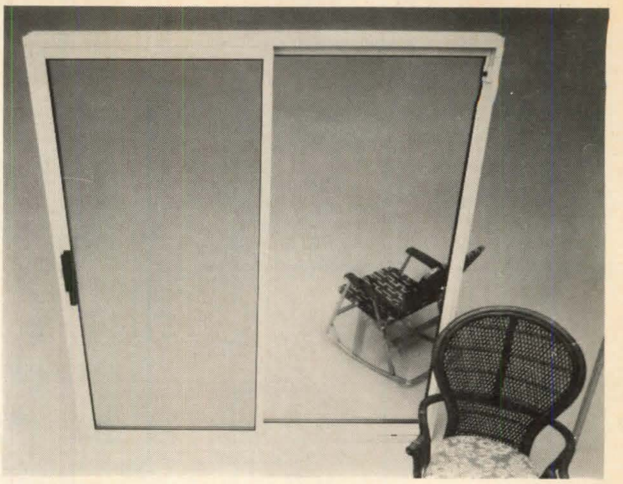
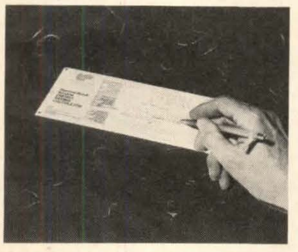
Screen door *(left)* is made of alodized wire, which is said to provide high resistance to corrosion and weathering. E.A. Nord, Everett, WA. *Circle 225 on reader service card*

Decorative doorknobs *(below)* are ornamented with a delft pattern. Diameter of plastic knobs is 1½''. Plastiglide, Hawthorne, CA. *Circle 216 on reader service card*

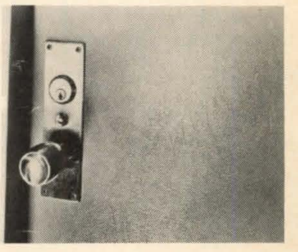


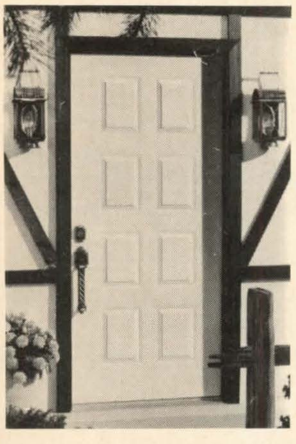
Sliding glass doors *(above)* feature ⅞'' double-pane insulating glass with a ½'' hermetically sealed air space. Norandex, Bedford, OH. *Circle 220 on reader service card*

Slide calculator *(right)* estimates cost effectiveness for different windows relative to fuel and furnace combinations. Unit has U-values for various windows and a U.S. map with winter and summer degree days. Capitol, Mechanicsburg, VA. *Circle 217 on reader service card*



"Colorstyle" steel door *(right)* comes in a choice of thirteen colors, including coral, green and blue. Optional textured surface *(shown)* simulates leather. Doors come in 1⅜'' or 1¾'' thicknesses. Ceco, Chicago. *Circle 221 on reader service card*



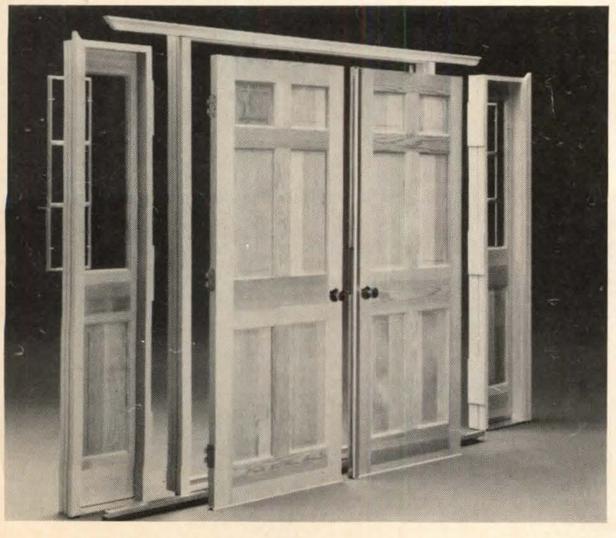


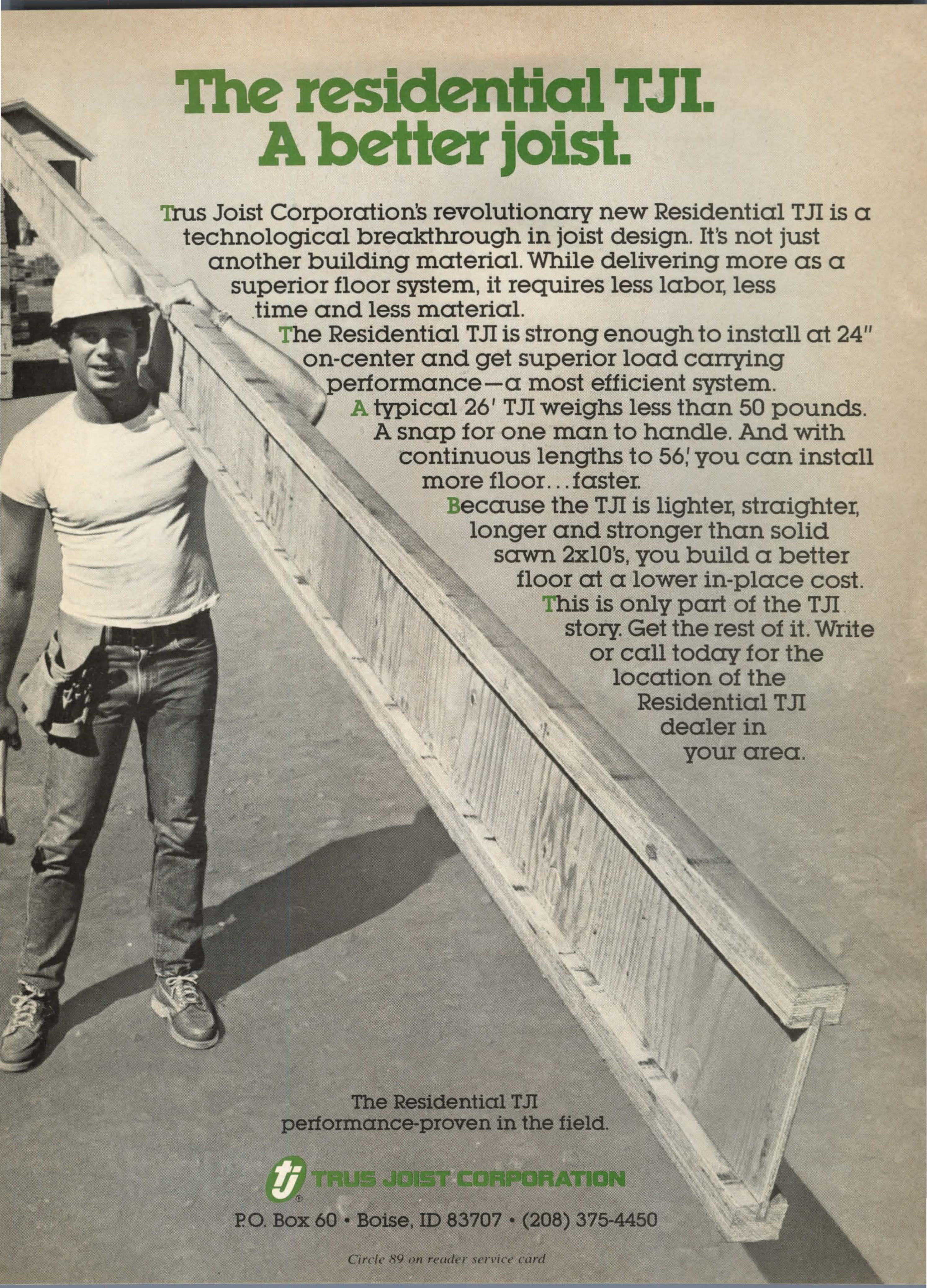
Embossed steel door *(left)*, part of the Perma-Door® Royal™ line, features an eight-panel design. Insulated door has a combination honeycomb/polyurethane foam core. Steelcraft, Cincinnati, OH. *Circle 218 on reader service card*

Insulated entry system *(below)* features an aluminum sill with positive thermal breaks. System is available with fir or Ponderosa Pine doors. C-E Morgan, Oshkosh, WI. *Circle 219 on reader service card*

Tempered-glass panel *(left)*, part of the "Quiet Elegance" line, has an etched look. Insert is designed to fit into an insulated steel door. Glass panel measures 22''×64''. ODL, Zeeland, MI. *Circle 222 on reader service card*

Tempered-glass insert and matching sidelights *(below)* have a beveled look and an amber glass trim. Entry system is part of the "Quintessence" series. Pease, Fairfield, OH. *Circle 223 on reader service card*

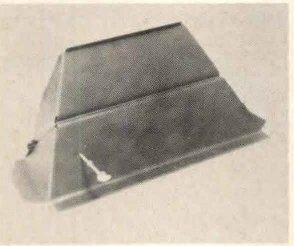




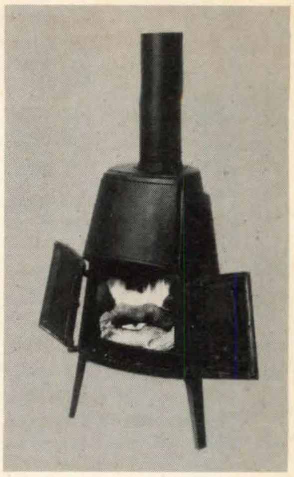
Circle 89 on reader service card

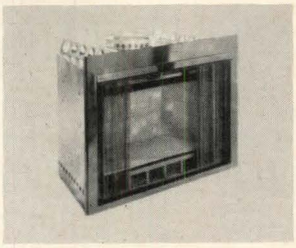
Freestanding fireplace, the "Provider" *(above)*, features a high-volume fan which circulates air through a large heating chamber. Preway, Wisconsin Rapids, WI. *Circle 232 on reader service card*

Rotary control damper *(right)* is constructed of 12-gauge steel and cast iron. Preformed throat eliminates the need for cutting brick during installation. Damper is available with or without a front lip. Superior, Fullerton, CA. *Circle 235 on reader service card*



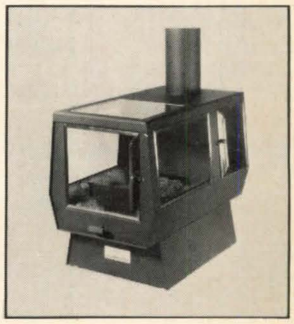
Cast-iron stove/fireplace, "Maxi-Heat III" *(right)*, can generate up to 50,000 BTUs of heat. Unit will heat up to 1,200 sq. ft. when double doors are closed airtight. Warmglow, Grand Rapids, MI. *Circle 231 on reader service card*





"Zero-clearance" fireplace *(above)* is 21½'' deep and has an interior area of 766 sq. in. The fireplace is UL approved. Marco, Lynwood, CA. *Circle 233 on reader service card*

Freestanding fireplace *(right)* features ¼'' tempered-glass panels. A stainless-steel oven acts as a heat reclaimer. Rubber Dynamics, Armstrong, IA. *Circle 234 on reader service card*



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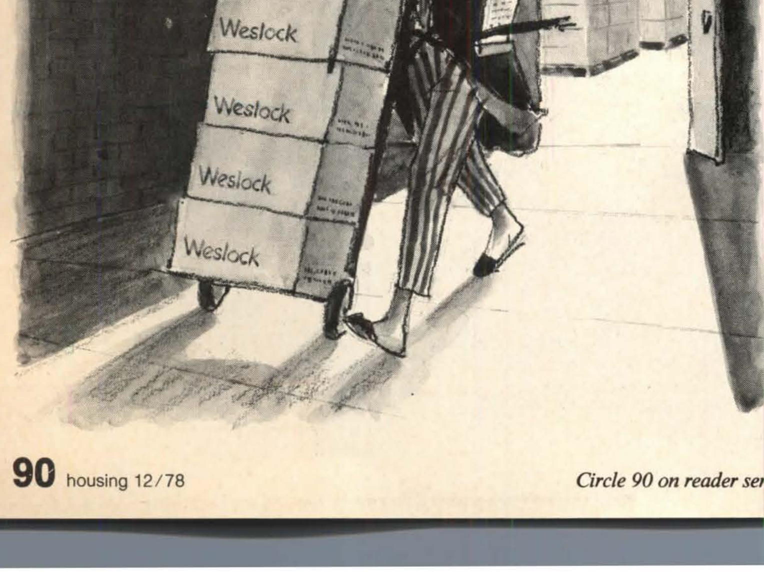

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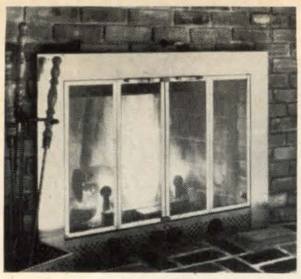
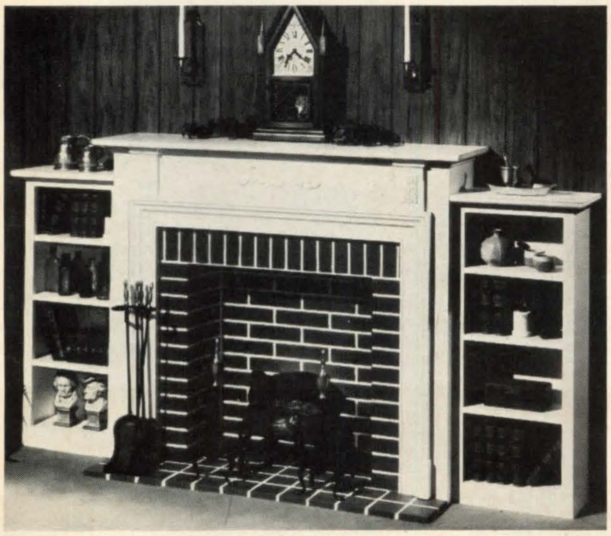


Fireplace heat exchanger, the "Glass Blower" *(left)*, consists of glass screens, an inside grate and a rheostat-fan. Unit operates on radiant heat and forced-air convection principles. Heated air is blown through tubes in the screens. Heritage, Akron, OH. *Circle 236 on reader service card*



Fireplace-bookcase package *(above)* is 8′4′′ wide, with a 50¼′′ mantel height and a 44′′ bookcase height. The unit may be used with gas or electric heater logs. Wood mantel and bookcases come primed or unfinished for staining. Readybuilt, Baltimore, MD. *Circle 237 on reader service card*

Heat-circulating fireplace *(above)* offers the option of channeling heated air into adjacent rooms. The flow of heated air may be controlled with double-deflection grills inside the air ducts. Fireplace may also be obtained with outside air intakes. Temtex, Nashville, TN. *Circle 238 on reader service card*

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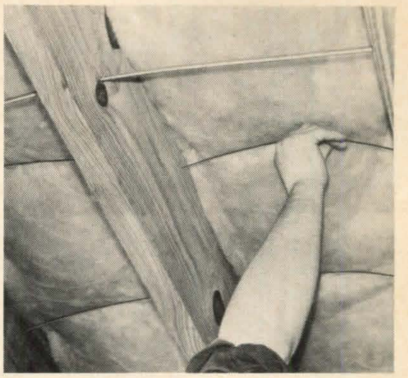
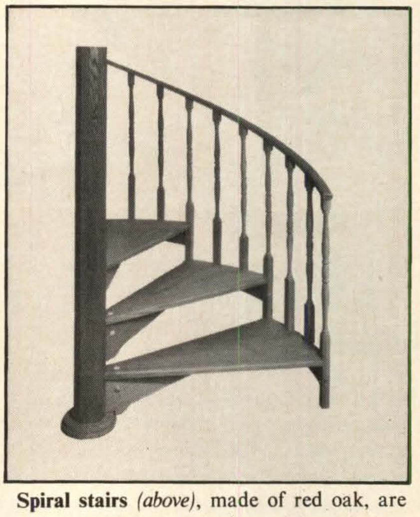
Insulspray® *(left)* is a urea-formaldehyde-based foam insulation. Foam may be pumped into concrete or cinder block cavities *(shown)*, or into sidewall cavities in existing homes. Borden, Columbus, OH. *Circle 224 on reader service card*

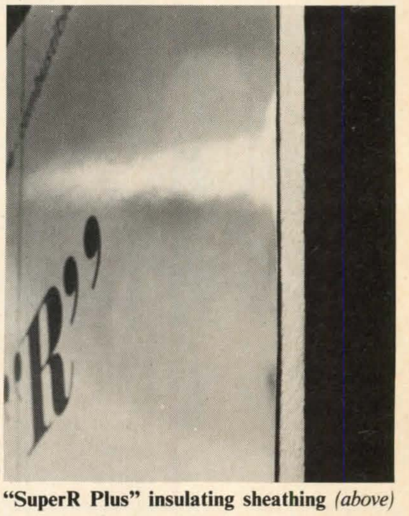
Insulation supports *(right)* facilitate installation of batt- or roll-type insulation. Supports, made of heavy-gauge steel, form a tensioned arch to hold insulation in place. Units may be installed at intervals of from 12 to 16 in. Mar-Mac, McBee, SC. *Circle 225 on reader service card*



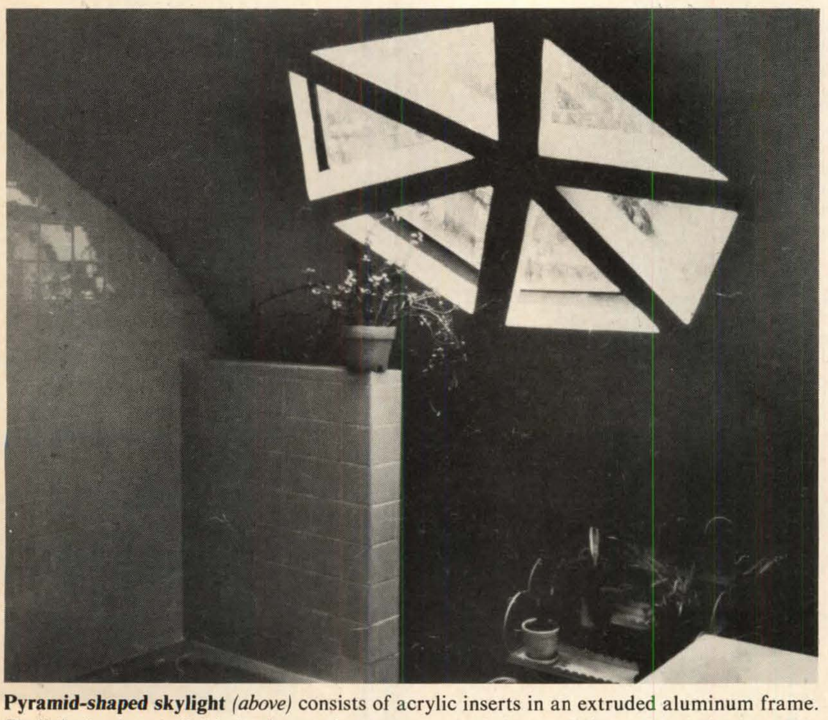
"Sturd-I-Floor" *(above)* comes in 16'', 20'', 24'' and 48'' widths. Flooring base, available in interior and exterior types, is manufactured with exterior glue. American Plywood, Tacoma, WA. *Circle 226 on reader service card*



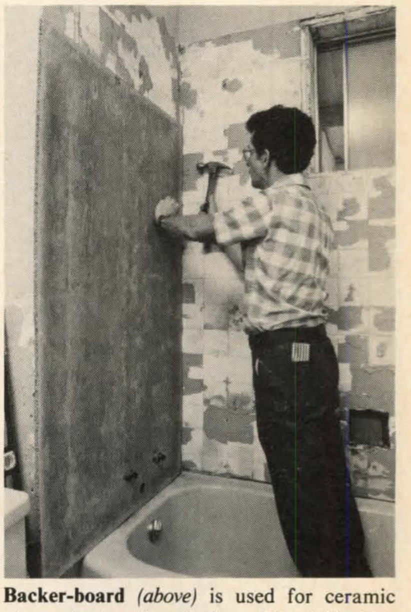
Spiral stairs *(above)*, made of red oak, are now available in a 7' model. Balusters come in a variety of designs to complement different interior decors. Stairs are easy to install. Stair-Pak, Union, NJ. *Circle 227 on reader service card*



"SuperR Plus" insulating sheathing *(above)* is made of expanded styrene bead foam. Sheathing comes with foam 1'' or ¾'' thick, and may be obtained with aluminum foil on both sides. Korwall, Elkhart, IN. *Circle 228 on reader service card*



Pyramid-shaped skylight *(above)* consists of acrylic inserts in an extruded aluminum frame. Skylight is also available in dome, circular or arched shapes. Bohem, Conshohocken, PA. *Circle 229 on reader service card*



Backer-board *(above)* is used for ceramic tile and floor installation. The ½''-thick board, made of concrete reinforced with fiber glass, comes in sizes of 36''×48'', 36''×60'', 36''× 64'' and 36''×72''. American Olean, Lansdale, PA. *Circle 230 on reader service card*

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Responsible for programs in Canada, Mexico, Japan, Puerto Rico, and France, his firm currently has projects in various stages of production and design in 22 states, including a 60-acre downtown redevelopment in Dallas, Texas.

Walter J. Richardson, FAIA, is president of Richardson-Nagy-Martin, the 20-year old Newport Beach, California, architectural and planning firm which has gained a national reputation for excellence in residential developments and community design. The firm has projects in 25 states and four foreign countries and has received over 30 national and regional awards. Mr. Richardson is a registered architect in ten states and has headed his own firm since 1958.

A frequent speaker at industry seminars and conventions, he is a past chairman of the American Institute of Architects' National Housing Committee and a past president of the Orange County Chapter of the AIA.

Gene E. Dreyfus is president of The Childs/Dreyfus Group, an interior design firm based in Chicago, with offices in New York, Palm Beach, and Toronto. He is a former builder who sold nearly 2,300 homes in the Chicagoland area from 1950 to 1960. Since 1960, first as head of Gene E. Dreyfus Associates and for the past 11 years with his present firm, Mr. Dreyfus has served as a merchandising consultant to more than 150 builders in the U.S., Canada and Europe. He is currently an instructor for Housing's "Effective Marketing and Merchandising" Seminar.

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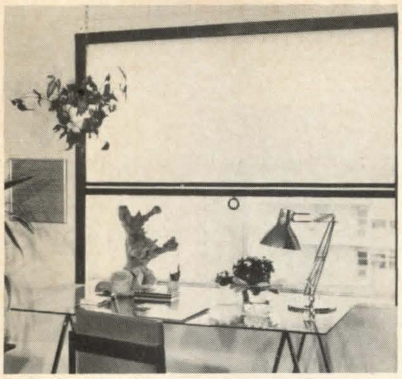
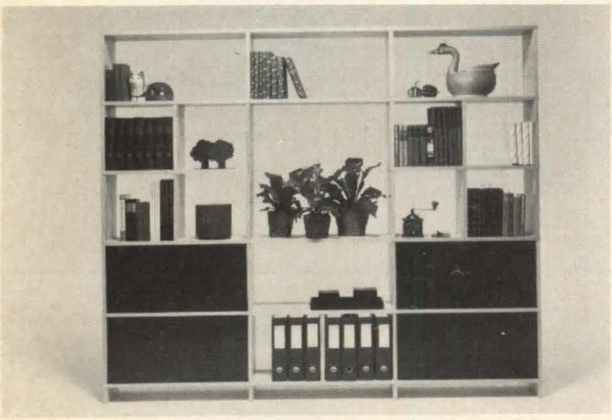


"Cabaret" woven window shade *(above)* features a low-maintenance vinyl coating. The shade is available in a variety of decorator colors, such as vanilla, pineapple, chocolate, apricot and white. Shade comes in widths ranging up to 73¼'' and lengths up to 72''. Breneman, Cincinnati, OH. *Circle 240 on reader service card*

"Universe" wall system *(above)* comes with wood-veneer, aluminum or plastic laminate door or drawer fronts. Individual modules are 80'' high and 18'' or 36'' wide. Trianon, New York City. *Circle 239 on reader service card*

Modular wall system *(above)* comes with white or brown sides, shelves and backs. Door and drawer facings are available in chrome laminate, wood or glass. Discovery Concepts, Carlstadt, NJ. *Circle 241 on reader service card*

Modular seating arrangement *(above)* features reversible cushioning, flop-over arms and adjustable headrests. Footrests pop out when seats are reclined. Barcalounger, Chicago. *Circle 242 on reader service card*



Easy-to-assemble "Ultra" bookcases *(above)* come in natural pine or mahogany. The 13''-high, 11¾''-deep units snap together, automatically locking in place. Cado/Royal, Woodside, NY. *Circle 243 on reader service card*

"Country Mix" canopy bed and wardrobe *(above)* complement traditional decor. The bedroom furniture is crafted of oak and pine with oak veneers. Hooker, Martinsville, VA. *Circle 244 on reader service card*

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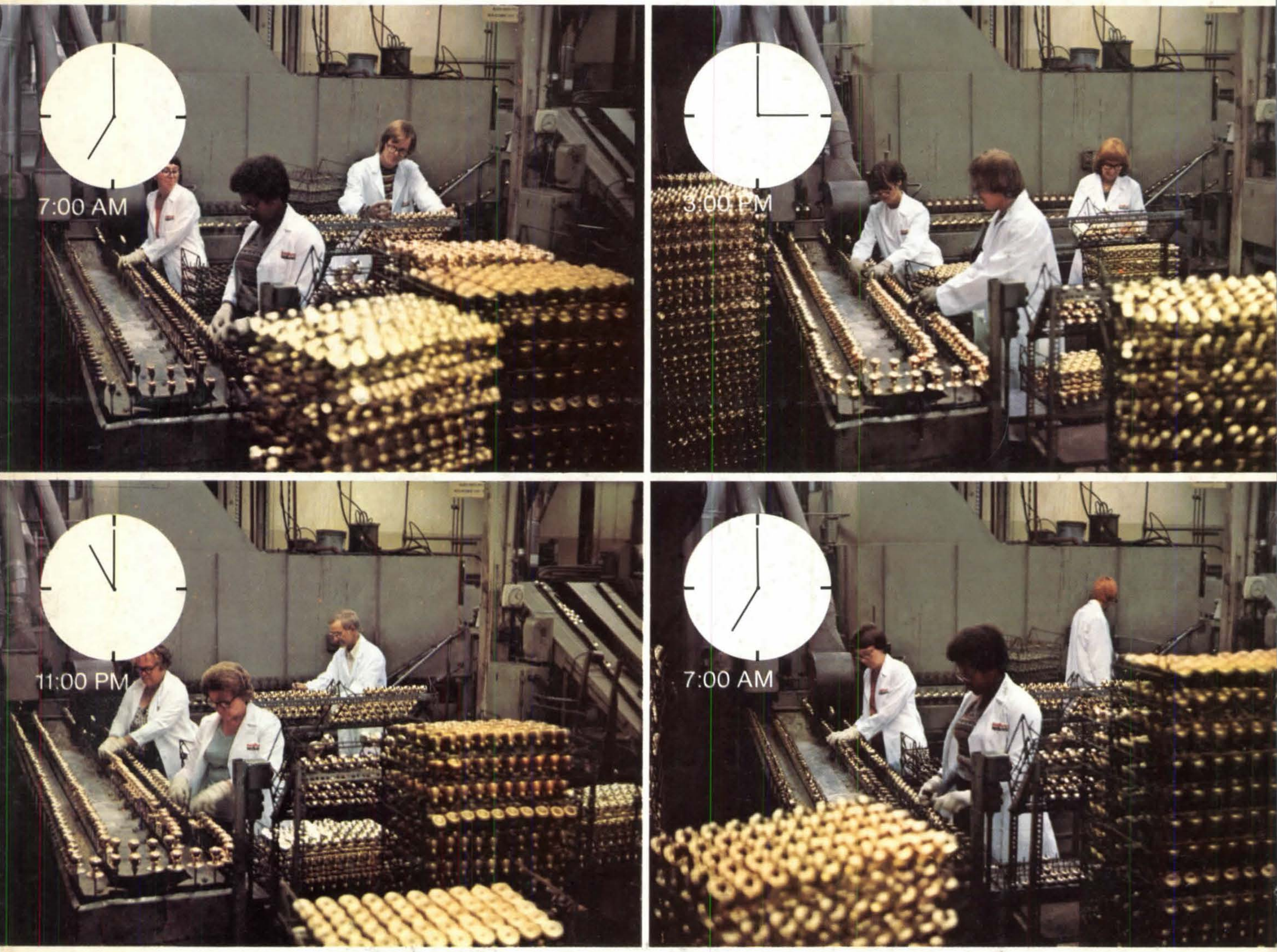

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