



Kephart Community Planning & Architecture designed the Nottingham model for Taylor Morrison Homes. The base plan, a ranch, measures 2,101 square feet; the optional pop top, shown, boosts it to 2,542 square feet. After examining demographics and trends, the firm launched a national marketing campaign, "The Art of the Small Home," which hit a hot button among builders.

# Small is big — and getting bigger

Builders, architects find success with fewer square feet

by Kim Jackson

When an economy changes, people do what they can to stay afloat. Some even find opportunity where others say there's none. Last year, two Colorado-based companies — one an architectural firm, the other a home builder — sat down and figured out a way to identify a niche, then capitalize on it. As such, both aren't just surviving, they're thriving. And it's not by accident.

## ART OF SMALL HOME CAMPAIGN HITS BUILDERS' HOT BUTTON

Kephart Community Planning & Architecture is riding the wave of smaller-built homes — and for some of its builder clients, redefining those homes.

Last summer, the residential architectural specialist firm launched a nationwide marketing campaign to builders: The Art of the Small Home, which was wildly successful.

Ten years ago, new homes averaged 2,265 square feet nationwide. Doug Van Lerberghe, AIA, associate principal with Kephart, said that's dropped to an average 1,900 square feet — and could easily go lower.

Last year, Van Lerberghe toured a national home builder's models that ranged from 1,750 – 2,200 square feet. "I asked what [the sales associates] felt they were missing in size, and both of them simultaneously said, 'If we had smaller homes, we could

sell ten a month. If we could get to 1,250 square feet, we could do really well.” Van Lerberghe then talked with the division president, who said he didn’t want to go that small. Yet the firm did design three smaller homes for the builder that ranged from 1,300 to 1,650 square feet.

### SPACE-SAVING DESIGNS FEEL BIGGER

Van Lerberghe said that the savings is coming out of relatively useless space. “The formal dining room is often only used once or twice a year, so instead of using the 150 square feet in the dining room, we’re getting rid of it,” he said. Parlor living rooms have given way to more open, multifunctional spaces. Master suites are smaller. And, he asked of a four-bedroom home with three bathrooms, “Do you really need that many bathrooms?” Hallways are yielding to more efficient architectural designs, saving another average of 50 feet. “We’re making better use of the space, less delineation between rooms,” he added.

The art of the small home has “hit the emotional button of a lot of builders and the buying public,” Van Lerberghe said. “Builders know what the buying public is looking for, because they’re hearing about it. The stimulus package has helped people to buy smaller homes.”

Smaller homes are greener, too, for both the reduction in building materials and energy usage throughout the homes’ lives. Yet, Van Lerberghe said, while everyone wants an energy efficient home, “not everybody is willing to pay for it. Buyers might have to spend \$20,000 or \$30,000 more on the purchase price. It’s a tough sell for our clients — builders — because of the buying public.”

### ARCHITECTURAL DESIGN ADDS VALUE TO BUYERS

Some builders worry that by cutting expenses — and the eye-catching angles of a new home’s design — the smaller home is going to take away from a home’s visual appeal. As an architect, Van Lerberghe said, “I don’t like to hear the word ‘boxy,’ but I get it. I consider myself an architect with a home builder mentality.”

As such, he’s moved value from areas of the home where the buyer doesn’t gain anything, to those that do. For example, Van Lerberghe said that buyers don’t benefit from a complex roof plan. “Why have a complicated roof or truss design, when it has no impact to the home owner or community? To me, it’s about putting the right dollars in the right spot, rather than hiding them behind a wall. I’d rather keep the good-looking stuff than have some goofy framing thing you can’t even see.”

### DETAILS STILL MATTER

He added that it’s a mistake to skip the details — such as landscaping — at the end of the project, in the interest of saving money. “I’d rather have a simple home that’s easier to build and keep the land plan,” he said. “The home has to

look good today, for people to buy it. If we take history as a lesson, today’s suburbs should have a fantastic land package. As architects, we want our communities to age well. We want it to look good 25, 50, 75 years from now.”

Looking ahead, Van Lerberghe sees a repeat of the late ‘80s trend, where some people will remember these times and stay in smaller homes. Others, who aren’t feeling the pinch now (or have short memories), will want bigger homes. In other words, “the market will be more fragmented,” he said. “Overall, people who are living in this world today are going to look for more bang out of their buck. They’re going to remember this and be more picky. The spec level of homes will wane. People will think about whether they need all those granite counter tops or to take care of their 401k.”

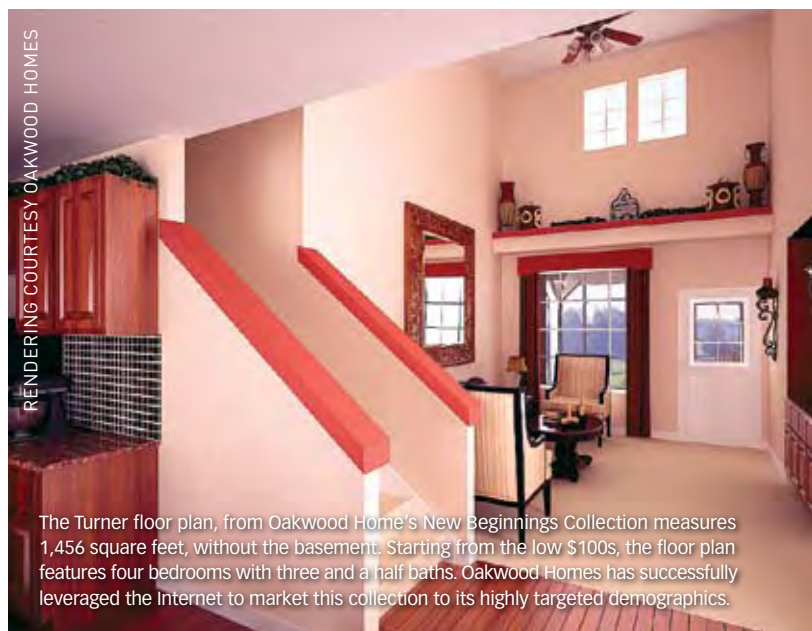
He also sees niche opportunities for smaller builders through infill development. “The bigger guys aren’t looking for that development of 10, 20 homes,” he said. “But there’s an opportunity for smaller builders to make the amenities work.”

In Colorado, Van Lerberghe said the home size sweet spot ranges from 1,600 to 1,800 square feet, at a price of around \$225,000. And buyers want an efficient home. His challenge — and that of his clients — is to make a small home feel large. “How do we make them live large and live well,” he asked. “That’s our ultimate purpose.”

### OAKWOOD HOMES’S FORMULA FOR SUCCESS

After the credit crisis in late 2008 nearly crippled the industry, Oakwood Homes had a series of meetings to determine what was needed to stay viable. The general consensus was that first-time home buyers would drive the ‘09 market. So the company rolled out homes for those buyers.

The decision wasn’t made in a vacuum. Realizing how critical they are to its success, Oakwood Homes had



The Turner floor plan, from Oakwood Home’s New Beginnings Collection measures 1,456 square feet, without the basement. Starting from the low \$100s, the floor plan features four bedrooms with three and a half baths. Oakwood Homes has successfully leveraged the Internet to market this collection to its highly targeted demographics.

in-depth value engineering discussions with its vendors. According to Don Carpenter, director of Product Development, the meetings analyzed the aesthetics and design of Oakwood's homes and how construction could be modified for buyer's wants and needs, while remaining profitable. "Our vendors came up with some very good ideas," he said. "It helped us when we bid the project out because they had input in the design. They felt that the more houses we sell, the more successful they'll be. It was really a partnership and we appreciated our vendors stepping up."

### NO MODELS NEEDED TO SELL HOMES

These meetings created a new line of homes for the component-based builder. And because most of its buyers use the Internet to research their options, Oakwood Homes sold 150 homes strictly from plans, renderings and three-dimensional views.

Since each home is produced in panels at Oakwood's factory, Carpenter explained, "one of the biggest things that helped us through this market is our ability to manage custom options. Using computers, we architecturally design each home and because we create a set of drawings for every home we sell, it's just another plan to the guys in the panel plant. It's really given us a step up on customization."

Selling homes this way has helped Oakwood adapt to buyers' wants much faster. "It's given us the opportunity to study the plan, observe buyers and talk to them, now that they live in their homes, about what they like and don't like." As Oakwood scheduled homes for the first quarter, Carpenter said, "we've found out buyers are willing to accept less square footage if the house is designed well."

### BUYERS' BIGGEST DEMANDS: KITCHENS AND MASTER BATHS

In addition to multifunctional and storage spaces, kitchens are very important to Oakwood's buyers. Through its research, Carpenter said for this year's product line, Oakwood is rolling out customization options for buyers' kitchens that let them maximize storage and space. "We have upscale, new cabinetry offerings for the more designer-type buyer," Carpenter said. "We have a flexible kitchen, where the buyer can make selections with modest bumps in the base price — and allows them to have the house exactly as they want it."

Master bathrooms are also important. This year's master baths take a page from upscale hotels' luxurious standards through a large, walk-in shower with a frameless shower door and 12x12 tile. Oakwood is improving the vanity area with an upscale sink, light and mirror. Carpenter said, "An upgraded look is standard in 2010. It will add cost to the house, but from our surveys with buyers and information we've gathered, we think it's an important area and will separate us from other builders in the market."



### '10 TARGET MARKET: RETURNING BUYERS AND MORE FIRST-TIMERS

Oakwood Homes' 2010 demographic market is an interesting mix: first-time buyers and those who got out of the market and want back in. For first-time buyers, Oakwood has added additional plans to the original line from last year. With its New Beginnings II line, Carpenter said there's more square footage and amenities that buyers want.

"We're looking at the \$250,000 and above market for 2010," he said. "We'll give them the square footage and amenities they want and conserve multifunctional uses; one buyer might want a dining room and another might want that for an office. What's going to make a difference for any builder right now is price point and combination." Other markets Oakwood is targeting include a lower-priced nice for active adults and an alley-loaded product.

### MARKETING EMPHASIS: ON LINE

Oakwood also plans to continue marketing its homes on line. "From a marketing standpoint," Carpenter said, "the demographic we're hitting doesn't necessarily pick up *The Denver Post* anymore. Our on-line marketing has been huge. We're set up now so buyers can choose the floor plan they want, pick their options and price it out on line before going to a sales office."

And while an energy efficient home isn't a compelling factor in this price point for buyers, Carpenter said it helps their decision when choosing among two or three other builders. "For the past three or four years, we've been very focused on building an efficient house."

He expects, as the economy improves and jobs increase, the housing industry will improve. By the end of the year, "we're hoping that the \$250,000 plus market will be coming back stronger. Consumers are making their wishes known about buying a new home. Going forward, I think the market will be stronger." ■