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Wells Fargo Home Mortgage
National Builder Division

WELLS FARGO HOME MORTGAGE

Building Times℠ bulletin

The not-so-big community

For builders, focusing on smaller projects can mean reduced land and development costs plus an opportunity to focus on green features.

Sarah Susanka's 1998 book, "The Not So Big House," has won cult status and a cottage industry for the architect. But what about the notion of a not-so-big community? Could the tenets of her philosophy—build better, not bigger—translate to a full-fledged development?

"You need flexibility to address market realities. Projects built with smaller, more manageable phases have less risk."

Absolutely, say land planners Chris Grady and Phil Stuepfert, who joined Susanka for a presentation on this subject at January's International Builders' Show®. The tenets not only work for compact community design, but they also offer the promise of cost savings and sustainable practices. It's a concept that builders dealing with a less-than-robust economy and growing interest in all-things-green can embrace.

"With the economy we're seeing not only builders but also municipalities being more open to these ideas," says Stuepfert, a land planner and landscape architect with the SEC Group/HR Green Co. in Yorkville, Ill. "Now you can build green and save money."

He points to a 2010 Urban Land Institute publication, "Conservation Communities," that says compact developments can result in a 15% to 35% reduction in utility, grading, and street costs. Eliminating just 500 feet of roadway can reduce costs by $200,000

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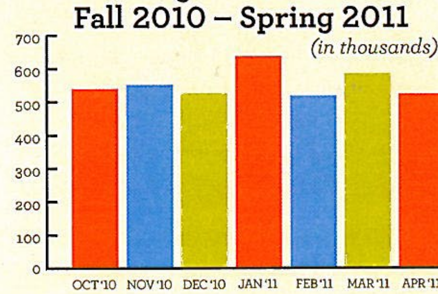
Housing activity update

Despite a relatively slow spring building season in 2010 and the expiration of the homebuyer tax credit on Apr. 30, 2010, economists predicted last fall that single-family and multifamily housing starts for 2010 would come in around 610,000, up roughly 50,000 from 2009. However, by the end of 2010, housing starts were only 589,000, up just 29,000 from 2009.

This year, economists are estimating around 708,000 starts for 2011, meaning an increase of 119,000 from 2010. The first half of the year is off to a sluggish start, as predicted by David Crowe, the National Association of Home Builders' chief economist and senior vice president. As one cause, he points to relatively low housing production in the Plains states.

Crowe believes that job growth will provide a stronger stimulus in the housing market than 2010's homebuyer tax credits. He cites a rebound in the confidence of consumers, who "froze in place, faced with a lot of uncertainty" in mid-2010. Recent increases in durable purchases indicate that today's consumers are less afraid of losing jobs and income.

Housing starts: Fall 2010 – Spring 2011



U.S. Census Bureau, May 2011

Together we'll go far

Social media 101

Integrating social media with traditional marketing

Selling real estate in the digital age brings both new opportunities and unfamiliar challenges. While most builders have traditional marketing techniques down pat and a website in place that connects them to the online world, social media is still uncharted territory, and builders are treading lightly when it comes to ushering their business into the media mix.

"Just because new marketing takes you in the direction of online media, that doesn't mean traditional means should be shelved."

For one, many are still trying to understand how social media platforms, such as blogs, Facebook, and YouTube™, can integrate with their existing marketing strategy.

National real estate consultant and social media coach Mike Lyon believes, "Just because new marketing takes you in the direction of online media, that doesn't mean traditional means should be shelved. The two can live in harmony, complementing one another to deliver the best outcome."

While traditional marketing techniques contribute to lead generation and sales success, Lyon explains, social networking can add the ability to:

- Set yourself up as the industry authority in your market.
- Expand your reach and connect you with more prospects.
- Provide a means for you to stay in touch with more people, more often, so you can build more relationships.

Lyon is quick to point out, however, that an investment in social media takes time, resources, dedication, and a strategic approach. Before you hit the ground running, set meaningful goals, familiarize yourself with what each platform offers, and identify your audience.

For builders, real estate agents and current and past customers are key groups on

which to focus. If you specialize in a particular type of construction, making an extra effort to connect with those who could benefit from your area of expertise is a smart approach.

When you're ready to move beyond planning and into implementation, a good first step is building a deep network of connections across your audience groups. In order to get the kind of coverage needed to have an impact in social media, Lyon says, it's crucial for builders to involve all company employees in their efforts. "The hesitation is often giving up control of the

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while getting rid of a single parking space can save $1,000. And a reduction in pavement means fewer impervious surfaces, which reduces stormwater runoff and allows for smaller sewer pipes—all concerns when building green.

"I think the challenge for our industry is making these projects efficient so they're affordable for that first-time homebuyer," says Stuepfert. They are a prime target for the green market, but "they're also looking at the numbers."

Developers and builders connected to a green, not-so-big community would be well served by having financing options at the ready. In addition to government-insured FHA loans, one Wells Fargo Home Mortgage product available for a range of borrowers is the **Builder Best®** program.

The **Builder Best** program provides homebuyers the safety of locked-in rates for 90, 120, 150, or 180 days at no additional cost with a conventional adjustable-rate mortgage (provided buyers close their loans with Wells Fargo). If market rates improve, buyers may seek to exercise a one-time "float down" option.[1]

The key to future projects, says Grady, principal and director of land planning for KEPHART :: Community :: Planning :: Architecture in Denver, is flexibility and buy-in from municipal authorities. "The market will tell us the course of action that needs to be taken, which means possible changes and flexibility have to be built into the zoning."

As an example he points to Bromley Farms, a Brighton, Colo., high-density community designed by his firm. Originally, the 150 acres were zoned for single lots but after meeting with the planning director, Grady is hopeful that the zoning will be altered to allow building in phases and a mix of product types.

"You need flexibility to address market realities," says Grady. "Projects built with smaller, more manageable phases have less risk. I always say, 'Go for the maximum number of units that your zoning will allow, but build only what's reasonable.'"

1. Change of loan product or program, change in loan to value ratio, float down or re-lock of rate will require underwriting approval. Changing products is not allowed within 30 days of the original lock. Borrower(s) must qualify for the new product and be within 60 days of loan closing. One-time float down option is available within 60 days of closing to any lender program or re-lock their existing product at the current available price range. Re-lock is not allowed within 30 days of the original lock. If re-lock period exceeds 60 days, applicable extended lock fees will be assessed.