



BUSINESS

# Building out of a recession

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Builder Tom Bentley said his latest project reflects a philosophy developed over a number of recessions.

"I think a lot of people think we're a little crazy," the Bentley Homes CEO said about Saranac, a new West Bradford community he broke

ground on a few months ago. "The best way to get out of a recession is to build out of it."



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In a housing market where supply exceeds demand, Bentley decided to employ the practice he had used during past recessions: He used his company's cash reserves to finance the building of the new 34-home development in the township.

Bentley said it is important to be active in a recession in order to learn the new parameters of the market. Homebuilders need a product to give to consumers in order to survive.

Bentley is not the only homebuilder in this mindset.

Aside from Saranac, eight communities have broken ground in Chester County in the past year, according to Wayne Norris, regional sales director at Hanley Wood Market Intelligence.

Traditionally, the market for new homes has been a high-end market, but the demand in the market now has dictated changes.

Entry-level homebuyers such as growing families represented the largest portion of new home buyers, Norris said.

Mike McGee, CEO of the Home Builders Association of Chester and Delaware Counties, said consumers have re-evaluated their criteria for purchasing new homes and are waiting for the right combination of price and amenities.

In the past, new home buyers looked for amenities such as high-end kitchens or locations in excellent school districts, Bentley said. Now, consumers see price as the biggest amenity.

The belief among homebuilders is that consumers want smaller, more cost-efficient homes, Norris said. They also prefer open floor plans that offset the smaller living space.

The smallest home in the Saranac community is 1,800 square feet. In 2007, the smallest house built by Bentley Homes was 5,000 square feet.

"It's hip to be conservative," Bentley said about new consumer preferences.

A market still exists for high-end houses, but it is much smaller, according to Norris.

"Builders are building to fill a nice niche that still wants to have the features," Norris said.

Bentley said his company has houses for sale in about 12 communities. The sales in the older communities are sporadic. Bentley said the goal for older communities is to break even.

For new communities, the goal is to make a profit, Bentley said.

Homebuilders also face pressure from the resale market. The percentage of resale home purchases has risen relative to new home sales because they provide home buyers with more leeway, Norris said.

In past hot markets, home buyers were confident that they could sell their houses, so they committed to purchasing new homes before theirs was sold. Now, with the market so slow, they won't act until they sell the house they're living in.

Builders are also struggling to find tradesmen to do the work since so many were laid off during the recession, Bentley said. As times get busier, there is not enough labor to meet demand.

Employment levels have not changed within the industry, but homebuilders are preparing for a turnaround, Norris said. Homebuilders are investing in learning about new design systems and better innovations such as energy-efficient windows.

In addition to Saranac, Bentley started building condominiums in fall 2010. Prior to the condominiums, there was a year and a half gap before he started that development.

Bentley said he already has plans for another new development. He would not give details of its location.

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