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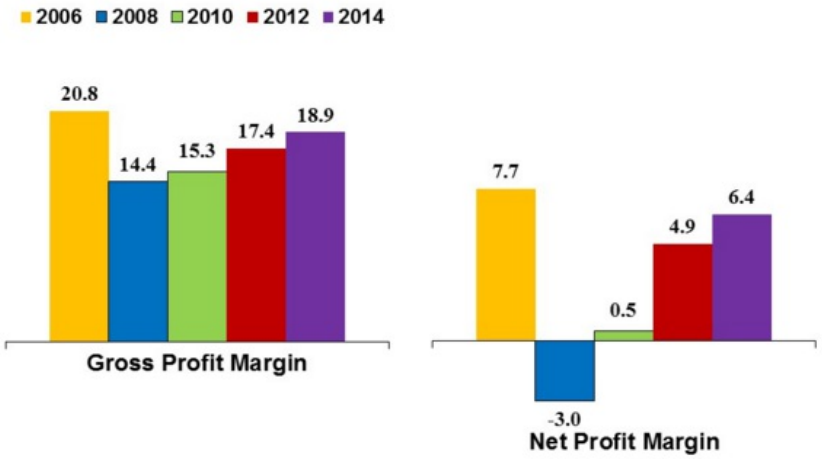
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Builder Profits Nearing 2006 Levels

The average single family builder achieved revenue of just over $16 million in 2014 and posted an average **net pre-tax profit of $1 million**. The National Association of Home Builders (NAHB) derived those numbers for its newly released *Cost of Doing Business Study* from a nationwide survey of builders about their income statements and balance sheets.

The cost of achieving that revenue, that is the cost of sales, averaged **$13.2 million** per builder or 81.1 percent of revenue. Those costs include land and direct and indirect costs of construction. This results in a gross profit of $3.1 million. Operating expenses including the owner's draw, sales and marketing and general and administrative expenses took another $2 million. The remaining net pre-tax profit represents a 6.4 percent profit margin.

Rose Quint, writing in the NAHB blog, said the numbers show that **builder profit margins continue to increase** as they have since 2010, but remain **below 2006 levels**. That year the average gross profit margin for single-family builders was 20.8 percent. By 2008 it had fallen to 14.4 percent. The net profit margin went from 7.7 percent in 2006 to a negative 3.0 percent in 2008, managed a small 0.5 percent net profit in 2010 then made significant gains in 2012 and 2014.



National Average Mortgage Rates



Mortgage News Daily	Rate	Change	Points
30YR Fixed	7.30%	+0.12	0.00
15YR Fixed	6.92%	+0.09	0.00
30YR FHA	6.89%	+0.07	0.00
30YR Jumbo	7.40%	+0.03	0.00
7/6 SOFR	6.80%	+0.31	0.00
30YR VA	6.90%	+0.07	0.00

Rates as of: 11/10

MBS and Treasury

	Price / Yield	Change
MBS UMBS 6.0	99.43	-0.62
10 YR Treasury	4.9860	+0.0952
30 YR Treasury	5.3557	+0.0737

Pricing as of: 11/10 5:59PM EST

Recent Housing Data

		Value	Change
Mortgage Apps	Oct 28	192.6	-1.23%
Building Permits	Sep	1.4M	+0.43%
Housing Starts	Sep	1.22M	-4.24%
New Home Sales	Sep	676K	-1.17%
Pending Home Sales	Aug	71.2	0%
Existing Home Sales	Oct	3.99M	+0.25%
Builder Confidence	Oct	29	-9.38%

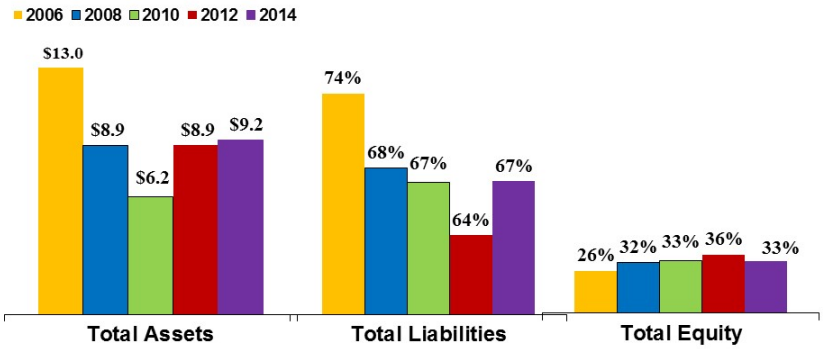
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On average the balance sheets for builders in 2014 showed total assets of $9.2 million. Liabilities amounted to 67.4 percent of all assets and the average equity was 32.6 percent. This was largely unchanged from 2012 but both years were **substantially better than 2010** when the average of all assets was $6.2 million, about half what had been reported in 2006.

The figure below also shows that builders were **highly leveraged** in 2006: they owed the equivalent of 74% of their assets to someone else. As their balance sheets shrank over the next few years though, their reliance on debt declined as well, bottoming out at 64% in 2012. Relying less on debt to finance their assets meant builders were using more of their own capital to do the job. In 2006, equity accounted for 26% of builders' assets, but by 2012, it had jumped ten points to 36%.



Expert Advice | Exceptional Service | Flawless Execution

With 27+ years of expertise in mortgage banking you can be confident in my knowledge and abilities to deliver a seamless loan transaction while providing personalized service.

Rich E. Blanchard



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