



Rich E. Blanchard

Managing Director, RICH Home Loans LLC

NMLS: 492461

1550 Wewatta St., 2nd Floor Denver, CO 80202

Office: 720.619.9900

Mobile: 303.328.7047

Fax: 214.975.2874

richblanchard@richhomeloans.com

[View My Website](#)

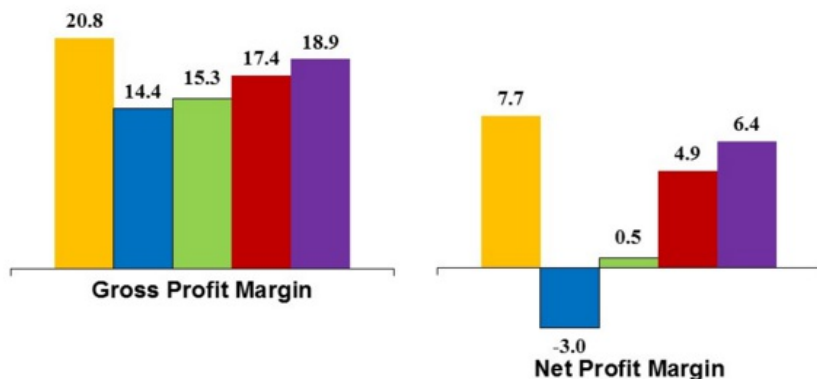
Builder Profits Nearing 2006 Levels

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.

■ 2006 ■ 2008 ■ 2010 ■ 2012 ■ 2014



National Average Mortgage Rates



	Rate	Change	Points
Mortgage News Daily			
30 Yr. Fixed	7.03%	-0.05	0.00
15 Yr. Fixed	6.44%	-0.01	0.00
30 Yr. FHA	6.50%	-0.05	0.00
30 Yr. Jumbo	7.24%	-0.01	0.00
5/1 ARM	7.05%	-0.02	0.00

Freddie Mac

30 Yr. Fixed	6.95%	+0.09	0.00
15 Yr. Fixed	6.25%	+0.09	0.00

Mortgage Bankers Assoc.

30 Yr. Fixed	7.03%	+0.09	0.62
15 Yr. Fixed	6.56%	+0.09	0.54
30 Yr. FHA	6.90%	+0.11	0.95
30 Yr. Jumbo	7.11%	-0.01	0.50
5/1 ARM	6.38%	+0.11	0.54

Rates as of: 7/5

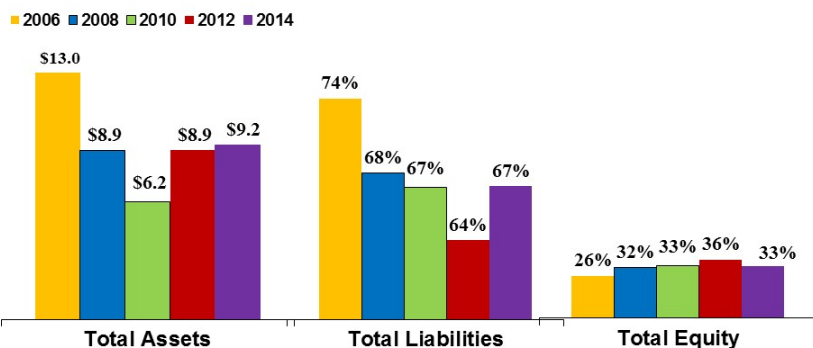
Recent Housing Data

		Value	Change
Mortgage Apps	Jun 12	208.5	+15.58%
Building Permits	Mar	1.46M	-3.95%
Housing Starts	Mar	1.32M	-13.15%
New Home Sales	Mar	693K	+4.68%
Pending Home Sales	Feb	75.6	+1.75%
Existing Home Sales	Feb	3.97M	-0.75%

	Value	Change
Builder Confidence	51	+6.25%

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

