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A Message from Jeffrey Chalmers:

"Builders will now need to be even more tech-savvy."

A Dose of Digital Reality for Builders?

They may be a little late to the game, but John McManus, publisher of *BuilderOnLine.com*, is betting home builders are about to get a **dose of digital reality**. McManus, reporting from the Consumer Electronics Show (CES) currently underway in Las Vegas says the digital age has already transformed the purchase of goods and services; the National Retail Federation says 174 million Americans shopped both on-line and in stores between Thanksgiving Day and Cyber Monday, and 51 million shopped only in stores. But 58 million confined their shopping to their **mobile phone, PC, or laptop**. Last Friday's jobs report would have met the most cautious of analysts' estimates for 161,000 new jobs were it not for a loss of 20,000 in the retail sector.

Those figures are, in essence, a payoff for the billions of dollars stores, even those that also have a brick and mortar presence, have invested in making on-line shopping a **comfortable and rewarding experience** for consumers. But so far, McManus says, residential development and home building have been shielded from the intensity and pace of change that has taken place in other consumer market places. Now those changes are coming, and at unnerving speed.

He describes three areas where technology will be quickly changing residential building operations. The first, and the most dramatic use of technology, is a **new model marketing newly constructed homes**. Big builders are trying to drive down costs to bring more affordable homes to market. One area of focus is the buying experience itself, and the resources builders currently spend on it. This includes building model home parks and sales and design centers to be the retail, consumer-facing dimension of their operations.

McManus suggests channeling a big chunk of those resources, he says 75 percent, into "technology and data-enabled **virtual experiences**" for consumers. He quotes a discussion with a CEO of one of the major home builders he met at the CES who said building only one model home at each residential development, rather than four, changes the game economically. "What we're investing in building, maintaining, warehousing, merchandising those models in all of our communities, we could instead develop rich experience with augmented and virtual reality tools. It's time for us to catch up to the rest of the way consumer businesses go to market, instead of doing

National Average Mortgage Rates



	Rate	Change	Points
Mortgage News Daily			
30 Yr. Fixed	7.09%	+0.07	0.00
15 Yr. Fixed	6.56%	+0.03	0.00
30 Yr. FHA	6.62%	+0.07	0.00
30 Yr. Jumbo	7.35%	+0.04	0.00
5/1 ARM	7.30%	+0.06	0.00

Freddie Mac			
30 Yr. Fixed	7.02%	-0.42	0.00
15 Yr. Fixed	6.28%	-0.48	0.00

Mortgage Bankers Assoc.			
30 Yr. Fixed	7.08%	-0.10	0.63
15 Yr. Fixed	6.61%	+0.01	0.65
30 Yr. FHA	6.89%	-0.03	0.94
30 Yr. Jumbo	7.22%	-0.09	0.58
5/1 ARM	6.56%	-0.04	0.66

Rates as of: 5/17

Recent Housing Data

		Value	Change
Mortgage Apps	May 15	198.1	+0.51%
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%

this the antiquated, far more expensive way that we've been doing."

	Value	Change
Builder Confidence	Mar 51	+6.25%

So, McManus says, look for a sea-change in production home building, with model and design center investments diverting into technology-enabled buying experiences. He gives no specifics, but we envision standing in a builder's lone model home, a center entrance colonial perhaps, and using a virtual reality device, tour each of his other three home designs. Or, with a methodology already in use by one quartz counter manufacturer, scanning a room in the model then test driving various trims and finishes.

There are few digital or real-world markets that don't depend on some form of customer ratings or reviews, and McManus expects technology will soon deliver this for homebuilders as well. One new entry is the provision of a star rating for energy and water usage performance and, perhaps within months, we will see introduction of a standardized rating and review system for builders.

Another change underway is less dependent on technology than a result of it; specifically, the **shift to on-line consumerism** mentioned above. This "Amazon-ing of America," as he calls it, is having a profound impact on traditional shopping malls. Builders are looking at failing and abandoned ones as so much real estate, ripe for repurposing. The generally good locations they inhabit give them a new future as "higher-density, mixed use, attainably-priced complexes perfectly situated for many metro area's housing-starved workforce populations."

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