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WOLF AT THE DOOR FOR BUILDERS?

Happy National Homeownership Month! Or is it? It didn't need a special federally designated month in order for **Hovnanian Enterprises, Inc.** (HOV), **Toll Brothers** (TOL), **KB Home** (KBH), **D.R. Horton** (DHI), and **Dominion Homes** (NASDAQ: DHOM) to recognize the potential of first-time buyers or even luxury buyers looking for new digs. Yet, with what is more than talk of interest rate hikes by the Feds, the public builders, eager to find their own home on Wall Street, may be feeling the wolf at the door as investors worry about stock performance. June as National Homeownership Month, aimed at boosting minority homeownership, may lack the celebratory exuberance of the past two years.

DHOM is the first public builder to come up for air by announcing it lowered its second quarter sales expectations because of the impact of rising interest rates and the fact that the first-time buyer market represents 70% of its business (*BR 6/14/04*). Builders like **M.D.C. Holdings, Inc.** (MDC), with 50% of its buyers being first-time buyers, recite demographics like a mantra. Continued immigration is fueling demand, as well as the baby boomer population. Homeownership is expected to grow to 70% by 2013. And a report by **Homeownership Alliance** estimates about a five million gain in homeownership by minorities by 2013. A strong economy, even with higher interest rates, equates to a continuing strong housing market and diversity of product.

Labor Department report numbers show a third straight month of job growth: 248,000 jobs added, unemployment rate unchanged at 5.6% and construction bringing 37,000 new jobs. Mortgage product is flexible. Not only do builders have their own mortgage arms, but also new players are joining the game such as Houston-based **Conder Capital Corp.**, a commercial funding and financial consulting firm, starting up a residential lending business for first-time buyers to jumbo loans.

June 30, the end of National Homeownership Month, is when the Fed is expected to announce its plan for interest rates. Despite either a heavy-handed or a light touch by the Fed, builders likely will find a home long-term on Wall Street since they've been building their own corporate homes on solid financial ground.

BUILDERS SEIZE ON SURGE OF SINGLE WOMEN BUYERS

So long, June Cleaver. Goodbye, Carol Brady. Single women represent one of the biggest buyer pools, and those diving in include **D.R. Horton** (DHI), **Choice Homes** and **Drees Homes**. Single women made up about 21% of all home purchases early last year, up from 18% in 1997. The National Association of Realtors (NAR) defines single women as divorcees, single mothers and never-been-marrieds. **Walt Molony**, NAR spokesman, believes single women buy more homes than single men. He sees it as a sustained trend that's been going on for a long time. Molony believes women have a better appreciation for savings and building value over time. It could be as simple as men just don't get serious about buying a home until they meet the right woman, Molony believes.

When single women do go the distance and purchase a home, it will most likely be a single-family home or condo, depending on where they're located. In the Midwest or Southern regions, where single-family homes are more affordable, women tend to buy single-family homes. In the Northeast and Western regions, women tend to buy more condos. Condos seem to be the home of choice for most women, however, as they offer a sense of security, and generally are more affordable and low-maintenance. About one-third of condos in the nation are owned by single women, Molony estimates.

D.R. Horton is incorporating amenities that appeal to women, such as utilitarian kitchens and security provided through attached garages and gated communities.

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TIN HOMES: NEXT CREASE IN URBAN INFILL?

Urban Loft Townhomes is playing the urban-infill card, but with a different type of hand – tin construction. Launched 10 years ago, Urban Loft Townhomes uses tin or tin-like materials in the construction of townhomes in urban areas of Houston, Dallas and Atlanta. Company founder **Larry S. Davis** anticipates taking the tin-home concept into new markets like Las Vegas and Phoenix. He also hopes to work with major builders.

Urban Loft Townhomes has two loft communities underway in Atlanta, 160 units planned for Las Vegas and a property under contract in Phoenix. The builder's upcoming development in Las Vegas will offer about 109 metal townhomes measuring 1,800 to 2,000 s.f. Prices will start in the low \$200,000s. Construction is anticipated to start in November.

Davis estimates that his buyer pool breaks down to roughly 25% single women, 25% couples and 50% single men. The builder's typical buyer is between 22 and 45 years old and likes the open space a loft provides, rather than the traditionally separate living room, dining room and kitchen.

Urban Loft Townhomes' product features Galvalume exteriors. Galvalume is a shiny substance composed of steel coated with zinc, aluminum and silicon. The substance has been used in industrial buildings for years because of its durability and resistance to rust, mold, mildew and rot. Galvalume also is virtually maintenance-free and doesn't absorb heat like most materials, making it good for hot, humid climates. Urban Loft Townhomes's product features metal exteriors and spacious light-filled interior spaces. Amenities include 17-foot ceilings with skylights, extra large closets and secured-access entries. A typical two-bedroom unit measures about 1,800 s.f. Prices usually go from \$179,500 to \$239,000.

Davis is able to use energy-efficiency and lower energy bills as selling points. Galvalume helps the home's interior stay about five to eight degrees cooler than the outside temperature. Davis estimates that the UL-4 rating of his roofing can result in a 25% to 40% savings on homeowner's insurance. Tin isn't any less expensive than lumber or steel, but its cost fluctuates less than these materials.

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