

May the Best Practices Succeed

Riding out a downturn is not a time for sitting still

It comes as no real surprise that real estate markets are cooling off. The country's been waking up to this idea since early in the year, and coastal communities are no exception. As Aaron Hoover reports in this month's *Breakline* (page 11), it's the hottest home markets that feel the most pain when the market cools down.

However, there is one bright note for coastal contractors in this gloomy housing market: There is a consensus that well-established builders will prosper, while speculators and fly-by-night contractors will be weeded out.

According to the National Association of Home Builders (NAHB), production and sales will slow down over the next few years in response to higher mortgage rates. But the number of homes constructed and renovated over the long term will depend less on interest rates than on demographic trends. And demographics favor the coastal contractor. People will always want to live at the shore, along the cliffs and tidal creeks, on the islands, and by the bays that define our country's coastlines. This trend is bolstered by expectations that vacation-home sales will remain strong, while sales of second homes for investment purposes are expected to decline. In addition, remodeling of owner-occupied homes will continue to grow, while remodeling of renter-occupied homes will slow down. These trends suggest that work is not going to go away entirely, and especially not in the high-end remodeling and vacation-home markets. But overall, there'll be less work available, and chances are good that the clients will be more demanding. This is a market that favors high-quality custom work.

The goal, I think, is not to hang in there *until* the market rebounds, riding out the downturn like some droll weather watcher. Rather, those who will succeed are the builders and remodelers with ironclad reputations who can capture the work available *now*. And yes, that will position them to continue to prosper in the future. — Clayton DeKorne



ILLUSTRATION BY JOSEPH ADOLPH

What's Hot ... and What's Not

In the current economic climate, here's the latest:

What's out: Keeping prices low by working over subcontractors to gain the narrowest margins possible.

What's in: Impeccable attention to detail, the use of the best-quality materials available, and offering incentives that favor long-term relationships with trade partners. (i.e., they're not your subs!).

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