

# Builder

## BUILDER's 100 Most Productive Firms

*Some of the country's top companies have come back strong from the downturn by keeping overhead low. Here's how.*

By Jennifer Goodman  
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TOP 100 ► Builders with most productive employees by revenue		
1	Bloomfield Homes	\$4,029,650 / employee
2	Ole South Properties	\$3,697,541 / employee
3	Elite Properties of America (Classic Homes)	\$3,458,365 / employee
4	The New Home Co.	\$3,350,181 / employee
5	Highland Homes	\$3,314,271 / employee
6	Landon Homes	\$3,175,000 / employee
7	Saint Aubyn Homes	\$3,102,941 / employee
8	Edge Homes	\$3,061,170 / employee
9	Caviness and Cates Communities	\$2,795,000 / employee
10	CBH Homes	\$2,690,000 / employee

If the recession taught U.S. home builders anything it was how to tighten their belts and get by with fewer resources: fewer employees, less land, less capital, and fewer

buyers. They survived by cutting back and figuring out how to be as efficient as possible without sacrificing customer satisfaction.

Although the housing slump has subsided, many U.S. builders are still operating in a recession-era mindset. They work smarter than before the downturn, carefully considering where every dollar goes. They know from experience that customer demand is fickle, so they've honed their marketing and customer service skills. And, they're embracing technology and building science in new ways to help keep costs down.

Now that buyers are back, these lean builders—especially private firms in smaller markets—are wildly successful, with many enjoying off-the-charts growth over the past few years. Their explosive gains are the big story of this year’s Builder 100 and Next 100 lists.

Employee productivity is the key to these builders’ prosperity. While Builder 100 companies averaged just under four closings per employee, the hardest-working firms’ employees came in way over those numbers—averaging nine, 11, even 17 closings for each person employed. The vitality of this group of firms is driving the industry as it sets the pace for the American economy: Combined revenue of all top 200 builders in the country grew 30% year over year, from \$86 billion in 2015 to \$112 billion last year.

Who are these uber-productive builders, and what is their secret?

First off, they are not publicly owned. Although public builders often tout the power of their economies of scale, analysis of the Builder 100/Next 100 data found that most of the ultra-productive firms are privately owned. Only one public builder—The New Home Co.—is in the top 10 for employee productivity.

For the most part, they are local firms that compete with larger builders in the cities where they build. They are located in varied markets across the country in places like Dallas, Salt Lake City, Nashville, Tenn., Charleston, S.C., Colorado Springs, Colo., and Indianapolis.

One characteristic that’s shared by these firms is the way their executives value employees and provide them the tools needed to do their jobs well. “We have truly dedicated and highly productive people that believe in our vision,” says Curtis Rector of Indiana-based entry-level builder Arbor Homes, which closed 852 homes last year, a 36% increase since 2014. “Our systems and processes enable them to be the best they can be.”

Happy employees are productive employees, says Michael Lucas, principal of Colina Homes in Houston, which has experienced 81% growth in closings since 2015. The company’s salaries are higher than

average, he says, and workers enjoy flexible schedules and the ability to make their own decisions. “We don’t have middle management, so we depend on our employees to be professional, accountable, and to manage their communities like they own them,” he says.

At Classic Homes in Colorado Springs, Colo., which has seen closings increase by 40% a year for two years in a row, it’s not unusual for employees to stay for 15 years or more, and most trade partners have been with the firm for more than 20 years. “We are fortunate to have very experienced personnel, both in project management and in our construction managers and our field personnel,” says Douglas Stimple, CEO. “These people all intimately understand our plans, our philosophies, our scheduling, our trade base, and our policies and procedures.”

Builders like South Carolina–based Great Southern Homes that had to downsize during the recession are strategically hiring again. “We like to call it ‘putting the band back together,’” says executive vice president and CEO Mike Satterfield. This acquisition of talent helped the company quickly emerge from the downturn and expand aggressively into new markets: Today it is one of the fastest-growing builders in the country, increasing closings 96% since 2014, and opening satellite offices in Greenville, Clemson, and Myrtle Beach.

New Home Co. CEO Larry Webb personally oversees many of the hires at the Aliso Viejo, Calif.–based firm, which had its IPO in 2014. “I have always said that this business is not about sticks and bricks and land—it’s about the people who do the work of building houses,” he says. “One of my biggest responsibilities is to hire the right people and make sure they have an environment where they can do the best work of their life.”

This focus on productivity is apparent on the jobsite, where many of the most effective builders keep their construction processes streamlined and efficient.

For instance, Saint Aubyn Homes in Colorado Springs offers a small range of floor plans with little customization. “We took the top options selected in our market and made them standard in our models,”

says Jared St. Aubyn, president of the firm, No. 71 on this year's Builder 100 list. "In addition to making life easier for our construction staff, it eases the burden on our office staff and sales team."

The firm also has simplified its building practices by using Ready Frame pre-cut framing materials from Atlanta-based distributor BMC, St. Aubyn says. With help from El Paso County's unusually quick permitting process, the builder can produce a house in under 100 days from contract to close, which enables it to compete with the resale market. "We have established a culture with our construction management team and trade partners that a house must progress every day," St. Aubyn says. "When a concerted effort is made to make progress in every house, every day, it isn't difficult to minimize cycle time."

At Great Southern, floor plans are created by the firm's five-person in-house design team and value engineered so they can be built more efficiently and with less waste, says Satterfield. The company has a goal to target 70% of a particular submarket in both price and product. "This had led us to develop popular model homes for first-time buyers, first and second move-ups, and empty nester buyers which can easily be adapted to new submarkets," he says.

To keep delays to a minimum, Classic Homes prohibits changes to a plan after the permit is pulled and has weekly conference calls or meetings with each homeowner throughout the build process attended by superintendents and sales counselors to catch any concerns early.

The company is focused on finishing projects strong, too, says Stimple. Since the recession, Classic has changed its walk-through policies so that houses are 100% complete at delivery, cutting down on post-closing punch list headaches.

Challenges such as labor and land shortages, government regulations, and competition from multiple builders are on the minds of all of the country's top 200 builders, and many are finding creative ways to overcome them.

Strong subcontractor relationships have helped Saint Aubyn Homes weather labor shortages. “My construction team has done an excellent job fostering a relationship with our trade partners that is truly a win-win arrangement,” says St. Aubyn. “This bond helps secure loyalty when the labor crunches hit.” The company is also working with suppliers to negotiate price protection moving forward in exchange for long-term commitments. To fuel a strong pipeline of talent, Great Southern has internship and job shadowing programs that help recruit new workers.

Others rely on their strong market positions to get partners on board. “We are a dominant player in a single market, which gives us significant leverage when talking to our local stakeholders,” says Ben Covington, CFO of Orem, Utah-based Edge Homes, which builds primarily entry-level and first-time move-up homes priced from \$180,000 to \$600,000. The firm, No. 63 on the Builder 100, has grown closings by 55% since 2014.

Such vigorous growth makes it important to know when to put on the brakes, notes Stimple of Classic Homes, which debuted on the top 100 list this year, moving to the No. 100 slot from No. 121 last year. “Our current experienced team is capable of doing 350 to 400 homes without missing a beat so our challenge will be to ensure that any new hires are properly trained, invested in our processes and procedures, and buy in to our overall program.”

Growth is on the mind of New Home Co. executives this year as well, as it opens communities in several new markets. This means learning about zoning and building regulations for many new jurisdictions. “Once we start building and selling homes life is pretty good,” says Webb. “Our challenge is getting to the finish line in terms of starting our new developments.”

The availability of desirable lots near good schools is a perennial problem, too, many builders note. “Regulatory processes imposed by governmental agencies and lack of financing to build new lots have restricted new lot development and keep work constant, Great Southern has an in-house development team that self develops and partners with development companies to keep a steady supply of good lots coming online.

Staying on top of their markets when competing with larger builders is another worry for these small to medium-sized companies. Great Southern manages the construction process from start to finish, says Satterfield, and analyzes sales absorption in order to adjust building levels to match submarket demand. “Managing starts, inventory levels, and cycle times is a big part of our success,” he adds. “We are willing to put product on the ground when others are not.”

### **Doing More With Less**

For the most part, productive firms benefit from their nimble size and limited geographical outreach in ways that builders with regional or national scope cannot. While Classic Homes runs up to 18 projects at once, they are all located within a 20- to 30-minute drive from headquarters. “This factor promotes efficiency,” explains Stimple.

During the downturn, he says, the executive team found ways to do more with less. A web-based scheduling system for in-house employees and trades eliminated significant amounts of paperwork and phone calls. The firm’s construction managers now run houses themselves and oversee other superintendents and allocation of trade partner resources. “Our superintendents are all experienced and require minimal supervision on a daily basis,” Stimple says.

Edge Homes relies on technology to help employees get more done every day. It uses a proprietary scheduling and client communication software system that allows project managers to streamline communications with buyers and update the master schedule for each home. In addition, a web-based portal tracks the status of current and future jobs for trade partners.

Working with the vice president of purchasing and estimating, each member of the company’s management team plays a role in ensuring that the firm is using the best technology available, Covington says. For example, the company developed its own estimating program when executives couldn’t find an out-of-the-box version they liked. He credits this reliance on technology to the company’s young, well-educated workforce. “We believe that being a leader in the use of technology increases our customer

satisfaction, improves our relationships with our trade partners, and allows our employees to consistently have a better understanding of their job,” he says.

Perhaps more important than any other quality, prolific builders are in touch with their customers and the communities in which they build. “Even though we have grown at a pace of more than 40% year over year for the past three years, we have kept our brand as a local builder,” says Satterfield.

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