

## Survey of Utah's Top Homebuilders

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### About the Survey

Increasing prices and a shortage of new housing units continue to be a challenge across the State of Utah. The goal of the survey of Utah's top homebuilders is to shed light on market sentiment and provide insight into the issues and opportunities facing our housing market. The Kem C. Gardner Policy Institute conducted the survey of Utah's top homebuilders in fall 2019. Of the 24 homebuilders contacted, 19 participated. The survey participants were identified using Construction Monitor rankings of top homebuilders. Surveys were conducted through either in-person or telephone interviews.

### Key Points:

Utah's top homebuilders had a better-than-expected year. Revenue and deliveries increased by approximately 10%, while margins outperformed expectations. The sentiment for 2020 is overall positive for these three variables.

The average purchase price remained relatively unchanged in 2019 from the previous year. The average purchase price for 2020 is expected to stay the same or decrease slightly as builders continue to add more affordable product. Prices for the same product are expected to increase moderately as the market tries to keep up with rising costs and growing demand.

Concerns over the economy and national political stability continue to worry homebuilders. Trade wars and immigration continue to add to material prices and labor shortage issues.

While the drop in interest rates was noted as a positive contributing factor in 2019, their uncertainty going into 2020 remains a crucial issue. Local issues surrounding density and Nimbyism continue to be an obstacle for builders trying to deliver more units. Utah's strong economy and robust growth are noted as positive factors for homebuilding.

The timing of building permits and inspections is improving. However, builders noted issues including Nimbyism and a sense that cities sometimes add additional burdens when the ordinance does not require it. The bonding process, whether reimbursement or consistency of implementation, is the most mentioned issue related to regulatory fees.

### Participants of the survey

Alpine Homes	Ivory Homes
Arive Homes	Kartchner Homes
Century Communities	Lennar Homes of Utah Inc
Construction LLC	Nilson Homes
Cole West Homes/ CW Urban	Oakwood Homes of Utah
D R Horton	Perry Homes
Destination Homes	Richmond American Homes
Edge Homes	Vollkommen Construction
Fieldstone Homes	Weekley Homes
Flagship Homes	Woodside Homes of Utah

### Contacted but did not participate

Castle Creek Homes	Salisbury Homes
Ence Homes	Visionary Homes
Holmes Homes	

Utah County led the way in both 2018 and 2019 in its share of total units followed by Salt Lake County.

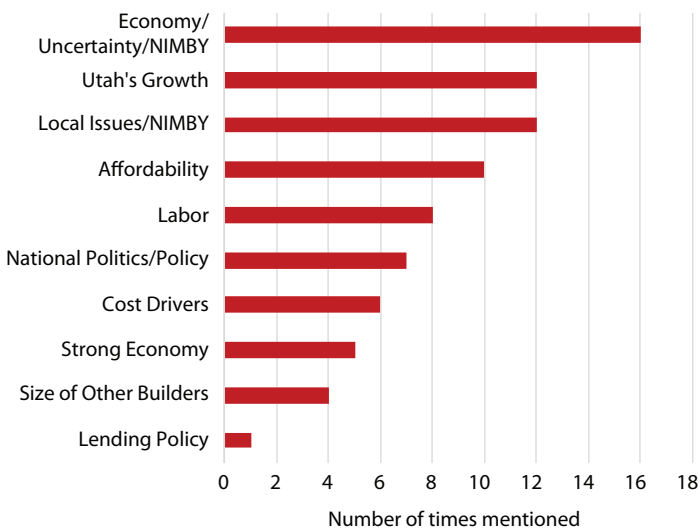
**Q: What percentage of your company's units do you build in the following counties?**

	2018	2019
Salt Lake	33.8%	33.0%
Utah	46.8%	44.9%
Davis	9.0%	10.1%
Weber	2.2%	3.8%
Summit	0.9%	0.2%
Washington	5.2%	4.3%
Tooele	1.0%	1.8%
Cache	1.1%	1.5%
Wasatch	0.1%	0.3%

Economic uncertainty led the way as the primary concern, the main elements of which include interest rates, global economic stability, and scale of the next recession.

Utah's strong economy and growth was the leading positive indicator. Builders acknowledged that the unexpected dip in interest rates made 2019 a better-than-expected year. Issues surrounding density and Nimbyism are a significant area of concern; builders sense that this issue is preventing the delivery of more affordable units. Labor supply continues to be an issue as well as national political stability, especially policies addressing trade wars and immigration, which impact materials and labor.

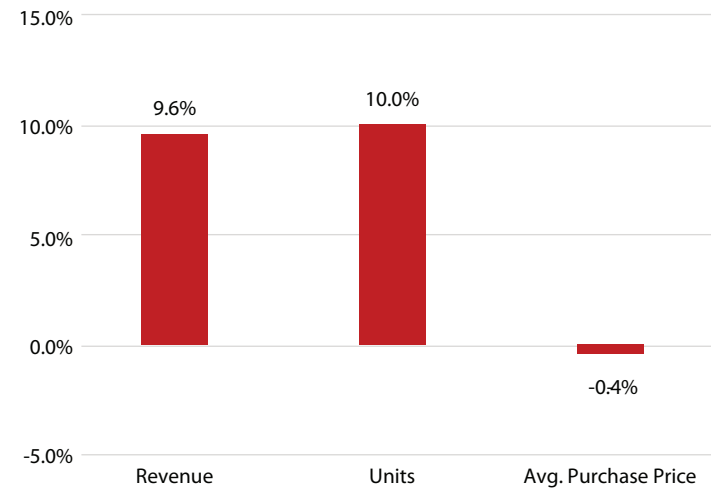
**Q: What emerging trends, risks and other factors does your company think may have a positive or negative impact on the economy and homebuilding industry in Utah over the next 12 months?**



Builders indicated a record year in terms of revenue and volume. Average purchase price stayed relatively unchanged do to increase in more affordable product mix.

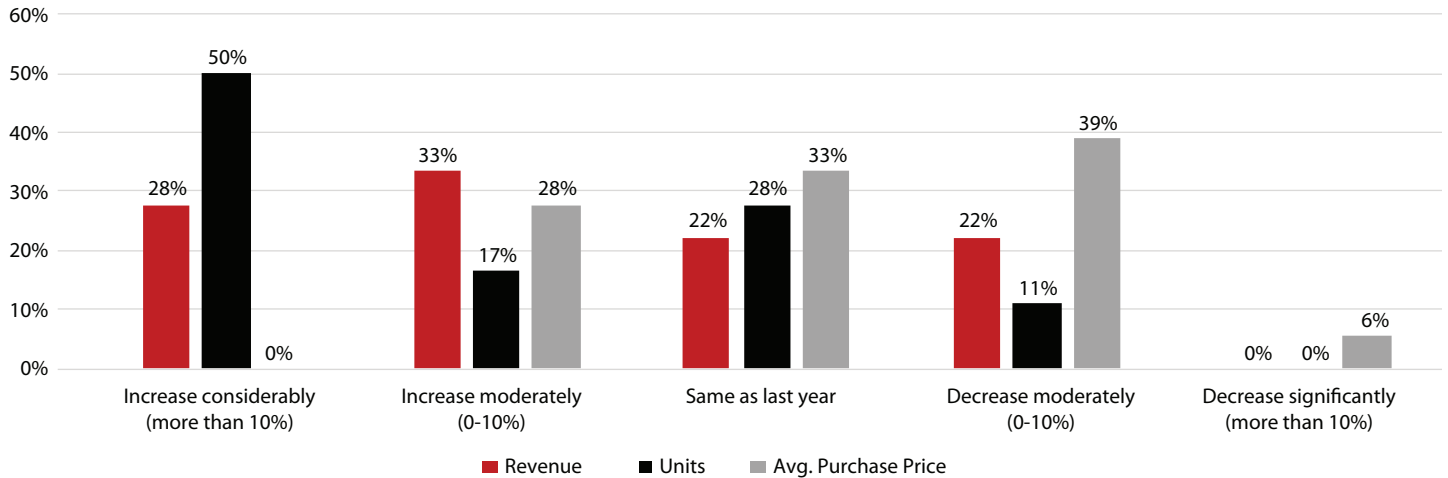
**Q: What was your revenue, units, and average purchase price in 2018 & 2019?**

	2018	2019
Total Revenue	\$2.60B	\$2.84B
Units (est.)	6,726	7,398
Avg. Purchase Price	\$385K	\$384K



Expectation for 2020 indicate revenue and units to increasing while average purchase price is likely to decrease due to shift in product.

**Q: What are your expectations for Revenue, Units, Average Purchase Price, for 2020?**



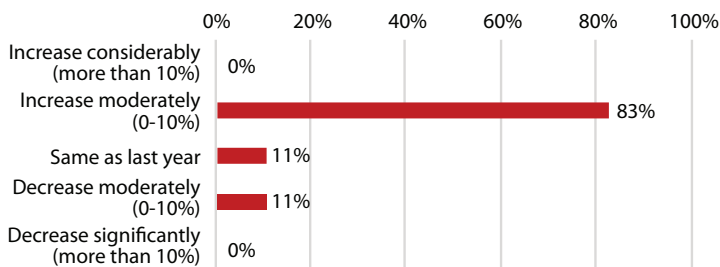
**Q: How does your company anticipate changing its focus on products and geography?**

Builders will continue to focus on affordability and some will introduce smaller size single-family units. The market will see an increase in age-targeted product. Builders will continue to also focus on semi-custom product.

Geography will stay relatively similar with some shifts to Davis and Salt Lake Counties.

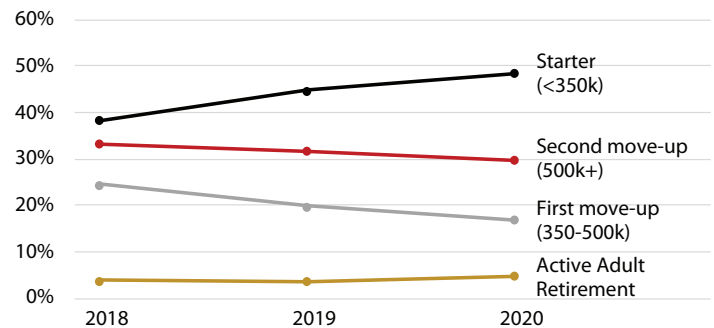
Prices will continue to increase for the same type of product as the market continues to react to labor and material price increases.

**Q: What are your company's expectations for purchase prices (for the same product) in 2020, compared to this year?**



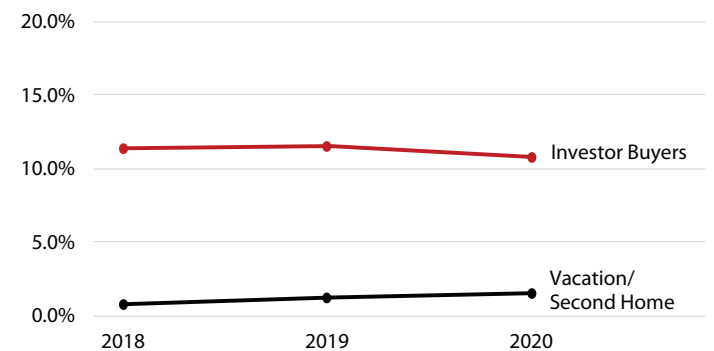
The increase in starter homes will continue as concerns surrounding affordability persist. Active-adult production is expected to grow as well.

**Q: What percentage of your units fall into the following price point/buyer type categories?**



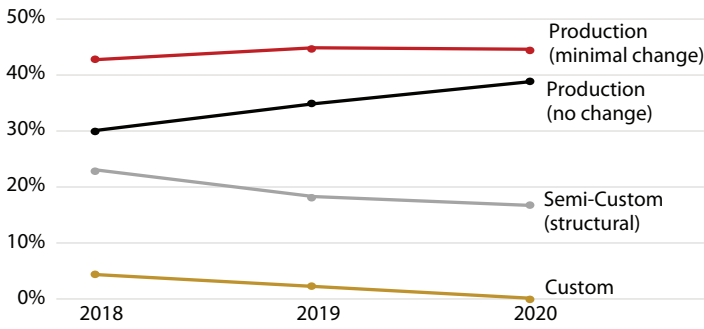
The share of vacation/second-home buyers is on a slow but positive trend, while investor share is likely to experience a slight decrease.

**Q: What percentage of your units are purchased by vacation/second-home and investor buyers?**



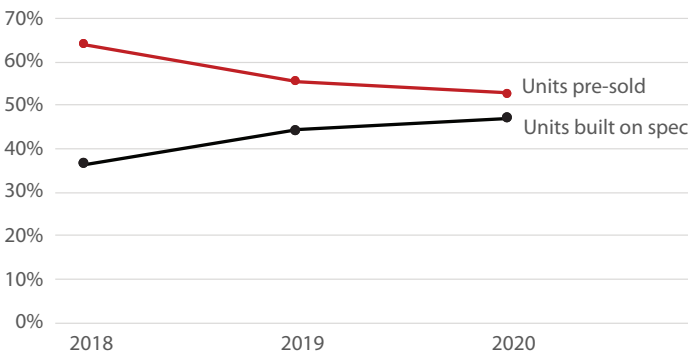
Homebuilders are continuing the trend of offering standardized production and no change. As the spec market continues to grow, customization options will continue to decline.

**Q: What percentage of your units fall into the following production type categories?**



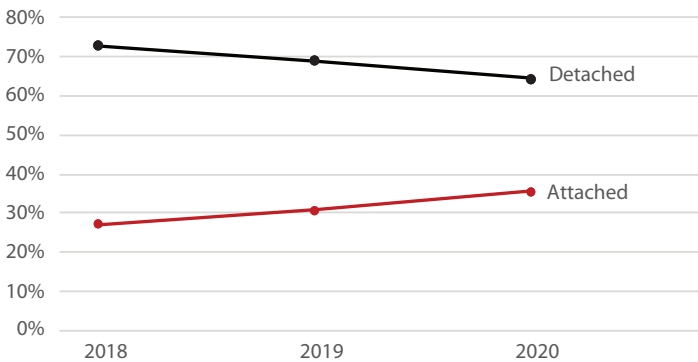
The share of spec versus pre-sold units is nearly even.

**Q: What is the ratio of spec versus pre-sold units?**



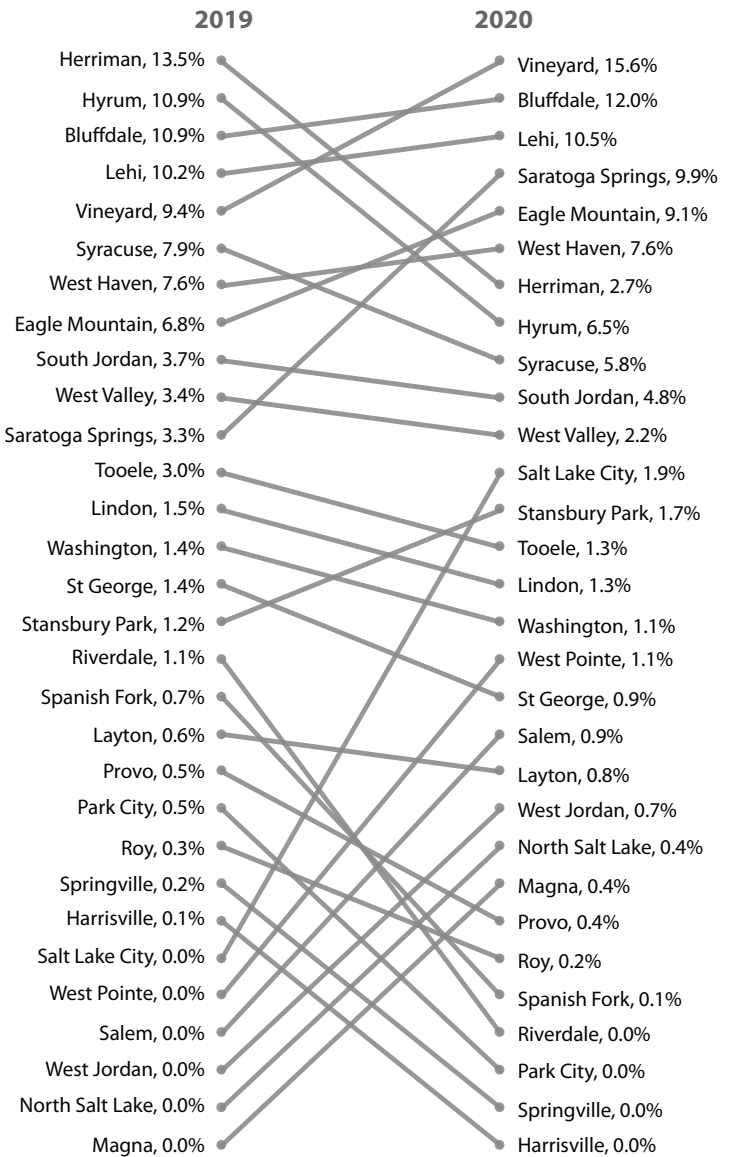
Detached product will still leading the share of total units, but attached units share continues to grow as the market responds to affordability needs.

**Q: What is the ratio of attached versus detached units?**



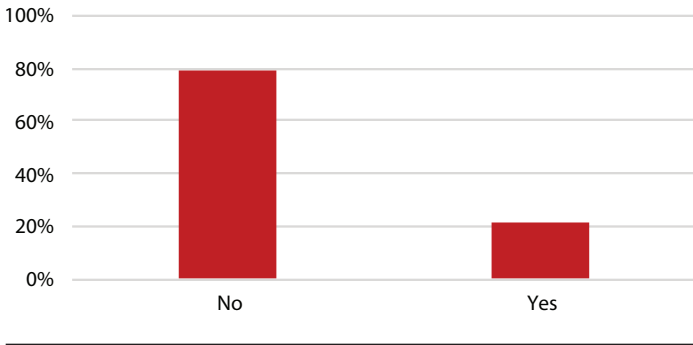
Cities ranked by share of units priced below \$350k (45% of units in '19, and 48 % of total units in '20).

**Q: Number of communities and units priced below \$350K?**



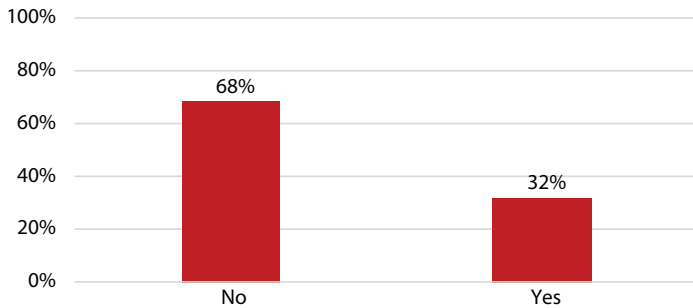
Besides trusses and wall panels, most builders have yet to make any significant progress. Profitability and site challenges are the primary deterrents.

**Q: Does your company use any modular, off-site, or prefabrication building methods?**



Builders have seen a decrease in rejections by municipalities compared to last year.

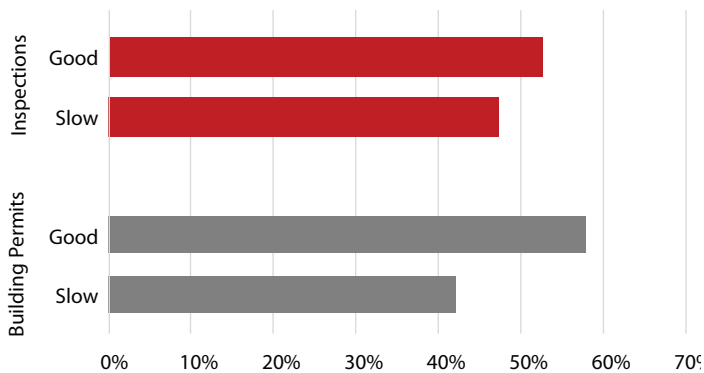
**Q: In the past year, has your company had a project rejected by a planning commission or city council? What was the major concern?**



Note: There has been a decrease in rejections compared to last year. Only 30% reported a rejection this year compared to 60% in 2018. The leading reason for a rejection is due to Nimbyism relating to proposed densities and unit types. For those reporting a no, most avoided rejection by not proposing controversial or first-time high-density projects.

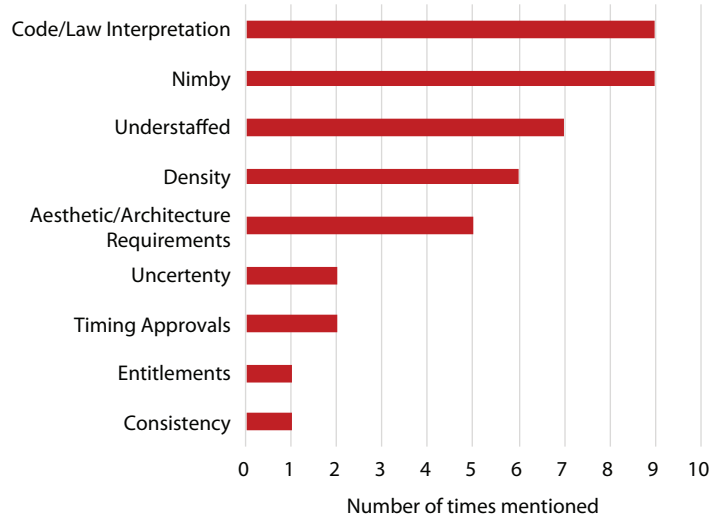
Timing of approvals has improved compared to last year. The builders' experienced slow approvals cite understaffing as the leading cause.

**Q: How would your company describe timeliness of city approvals?**



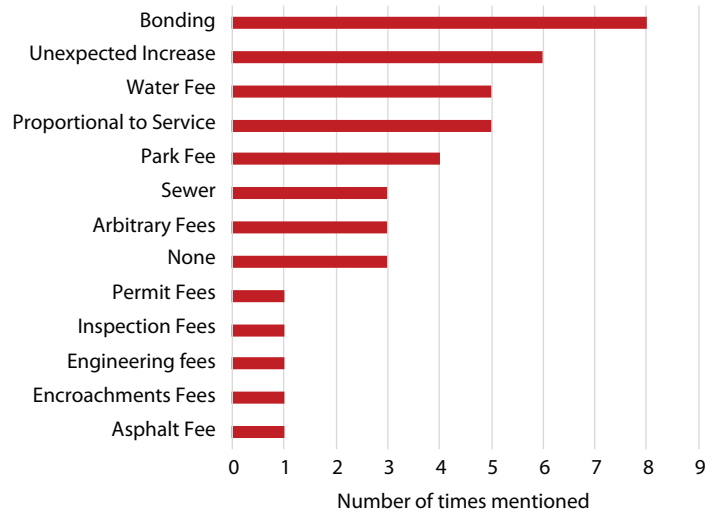
The greatest obstacle builders' face with cities is related to code/law interpretation and Nimbyism. There is a sense that the cities add additional burdens in instances when the code/law does not require it. An example of this relates to infrastructure and architectural requirements

**Q: What are the most significant obstacles you face with city approvals?**



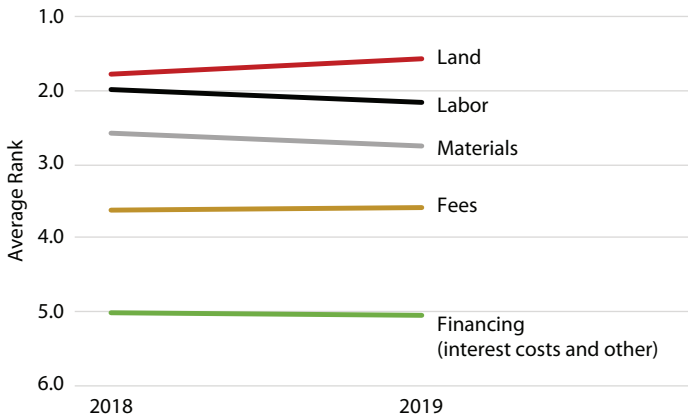
The bonding process, whether its reimbursement or consistency of implementation, is the most mentioned issue related to fees that need to be challenged. Builders also noted sudden increases in fees are an issues as well as the proportionality of fee to the level of service provided. Additionally, water, park, and sewer impact fees were identified.

**Q: Which fees to you feel need to be challenged?**



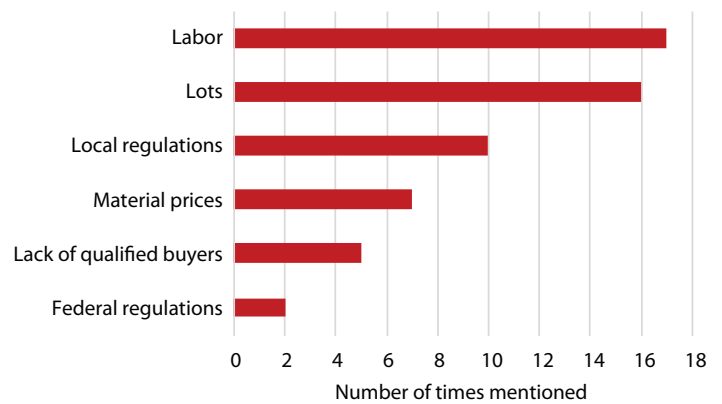
Land, labor, and material costs continue to be the top-3 areas of concerns related to costs.

**Q: Rank the following cost drivers from 1 to 5 with 1 being most costly**



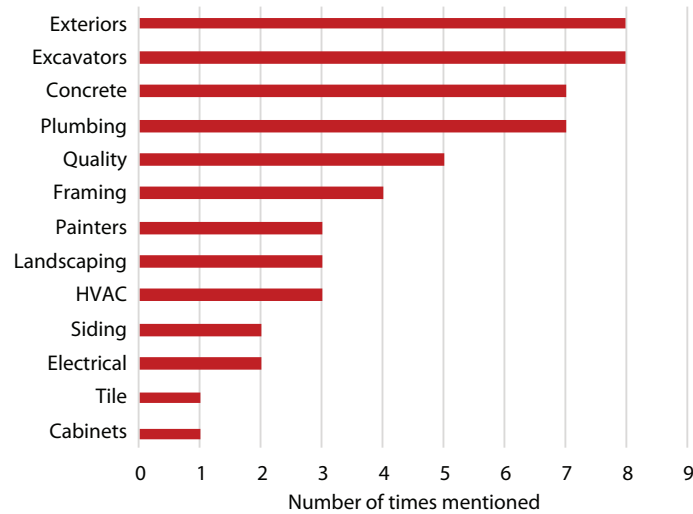
Concerns over labor availability, lot, and local regulations continue to be the main concerns for most builders.

**Q: Please indicate the top 3 most influential factors to your success as a homebuilder for 2020:**



Concerns over labor this year are not as high as they were last year. Exterior, excavators, concrete, and plumbing continue to be the most sought after trades.

**Q: What are the top three construction trades your company is in most demand for?**





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