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NAHB Director Report from the International Builders Show

THE STRAIGHTEDGE

The NAHB board of directors met during the International Builders Show in Orlando, passing a number of resolutions which are public policy statements for NAHB and form the basis for its many advocacy initiatives. So, it was resolved that OSHA move from an adversarial to collaborative stance, that energy efficiency and consequent reduced home operating costs be reflected in appraisals, that the foreclosure crisis be reduced by modification with homeowners, clear and transparent standards and change in banking rules to allow investors to absorb more foreclosed properties. The group also supported a resolution to further improve the appraisal process to include the cost of new construction, to increase appraisal oversight and expedite appeals. A long resolution addressed the 'Renovation, Repair and Painting Program' (RRP). While fully acknowledging the risk to children of lead ingestion, NAHB supports a series of modifications which would better target the problem of lead poisoning.

NAHB's chief economist, David Crowe, began his report by admitting the discrepancy of his optimistic forecast of a year ago and actual building activity for 2011. Predicting over 700,000 units, only 605K were built in the United States. Single family starts were at their lowest on record. Consumer and therefore builder confidence dropped from an early 2011 rise, because of the tsunami, continuing unemployment and the summer debt crisis in Congress. But the last four months held good news indicating a possible housing rebound: GDP, employment and consumer confidence are all up; distressed mortgages are down and home sales picking up. And demographics are poised to push increased home construction. 'Echo baby boomers' are forming households. Interest rates are at historic low rates, although credit approval rates are lower because burned bankers are still nervous. The ratio of home price to buyer income went as high as 4.7 but is back to pre-boom levels. NAHB analysis is by regional metropolitan markets and the number of improving markets went from 12 to 98 in the past year. Many of the recent starts have been in multifamily because of the tighter credit standards. Finally, since many homeowners are locked into underwater mortgages and so unable to 'move up,' they are forced to 'change in place.' That's reflected in increased remodeling activity.

Federal Reserve Chairman, Ben Bernanke addressed the Board and other IBS attendees following the Friday Board session. He reiterated some of the facts familiar to those following the home building industry. Vacancies due to unsold homes and especially the high rate of foreclosures are almost 30% higher than normal.

Household formation is down; unemployment up. Foreclosures first impact individuals, but also communities by depressing home values. There's been a 50% loss of equity which among other things has a direct impact on confidence and consumer spending. Spending falls \$3-5 per \$100 loss in home value. One in 5 homeowners are underwater. Many are unable to relocate because their houses won't sell and this further seizes up the labor market.

Banks are now on the hook for poor quality mortgage loans when re-sold to investors. With the housing depression the banking response was to tighten up loose credit standards, seen to be a root cause of the collapse. The new standards disproportionately impact first time home buyers (29-34yrs). And without these new market entrants housing is therefore slower to recover since they allow move up and even downsizers. First time buyers are coming into the market at rates well below the 2000's run-up. Foreclosures are still expected to drop a million units per year into the market for several more years. They currently represent 30% of home sales.

Bernanke pointed out that the rental market is relatively quite strong because fewer qualify for mortgages and buyers are reluctant to take the plunge when worried over values and their employment, despite record low loan rates and the decline in home prices. Investors have been stepping in to buy, repair and rent. In some cases, even back to the former owner.

To support this activity regulations and in some markets state legislation is needed. Some lenders limit the number of foreclosed properties that one can own because of problems with investors who in the past over-extended. This rule caps activity and doesn't allow efficiency for property management.

It's this type of 'on the ground' issue, among many others, that Bernanke acknowledged keeps the recovery stuck in the mud. Solutions are complicated and often local market specific. Coming to Orlando was an indication of his willingness to collaborate with builders. Both government and industry know that solving the problems of builders and homeowners is necessary for the general economic recovery.

Ev Hyde
 Shelter LLC



Welcome! New Member

Steven Way of Lowe's

155 River Road
Lisbon, CT 06351
Ph 860-591-2133 / Fax 860-591-2108 / Cell 860-861-1482
lisbonlowespros@gmail.com
www.lowes.com
Sponsored by **Andy Gil of Mystic River Building Co.**



Corny

This ain't Iowa! Here's a corn stalk growing from the "corn"er of a porch roof, in the rain gutter, at a property in Connecticut. Probably from bird droppings. In my 23 years as a general contractor and eight years as an inspector, I've seen a lot of things growing in rain gutters in Connecticut, but this one is a first for me.

40 Under 40—Honoring Home Building's Young Leaders

An alligator hunter, break dancer, horse trainer, and former professional basketball player and Mystic River Building's Andy Gil are among home building's young superstars named 40 Under 40 winners for 2012 by the editors of Professional Builder magazine.

The 40 professionals featured in the March 2012 issue represent the next generation of leadership and innovation in home building, and they're all under the age of 40.

Congratulations Andy!

ANDREW GIL, 34



General Manager, Mystic River Building Co., Mystic, Conn.

PROFESSIONAL CREDENTIALS

Certified HERS rater; Certified Building Analyst

ACCOMPLISHMENTS

Oversees all office and construction activities, including design, estimating, purchasing, project management, energy efficiency, quality standards, and warranty services
Leads team of three full-time staff members and manages 30-plus tradesmen at a time
Launched home-energy performance firm, The Greensulators, to provide energy audits, testing, and energy-efficiency upgrades
2011 Builder of the Year, Builders Association of Eastern Connecticut (BAEC)

EXTRACURRICULAR

Board member, BAEC
Past chairman, BAEC's House of the Year program

OFF THE CLOCK

Hobbies: rock climbing, playing guitar, and mowing the lawn with his kids
All-time flick: "The Bourne Supremacy"
Getaway spot: White Mountains, N.H.

SECRET LIFE

Graduated high school in the bottom five of his class and never passed algebra II, but is now a whiz with numbers ("All of my math skills have been self-taught")

If you or any other BAEC member has done something newsworthy in the community, please let us know!



East Lyme High School Career Fair

Thursday, March 29th
12:00 - 1:30 PM

In the Commons at East Lyme High School
30 Chesterfield Road, East Lyme, CT

Talk to students who are interested in exploring new and exciting career options. To participate, please contact the BAEC office at 860-859-3518.

SAVE THE DATE

The Builders Association of Eastern Connecticut

Annual Golf Tournament Thursday, July 26, 2012

*Come see the newly remodeled Great Neck Country Club,
formerly the New London Country Club*

11:30 am lunch & registration / 12:50 pm shot gun

Sponsorships are available !

860-859-3518 / BAEC2@aol.com



28 Lamphere Road, Waterford





Education and Training



ENERGY STAR Version 3.0 Workshop Series



Join the Connecticut Energy Efficiency Fund, CL&P, UI for **FREE** workshops offering assistance in implementing

ENERGY STAR Version 3.0. All sessions will be held at the following location:

Northeast Utilities / Café East Dining Room
107 Selden Street, Berlin, CT 06037

April 5, 2012 Water Management, Moisture Control, and Proper Ventilation for ENERGY STAR Homes

April 17, 2012 HERS Rater Training: Getting Into the Details of Rating ENERGY STAR Version 3.0 Homes

May 10, 2012 Designing Low Load Homes: A Panel Discussion of Builders Building a New Wave of Homes

To register for any of these classes, log on to www.cl-p.com/register and navigate to the date of the session and click on the link for specific

NAHB University of Housing Classes in Our Area



The HBA of Hartford is offering the following NAHB designation class :

March 27th	9:00 AM	Estimating
April 12th	9:00 AM	Business Management

For more information or to register, please call Pam at 860-563-4212.

BAEC APRIL WORKSHOP SERIES

Dime Bank Community Center
290 Salem Tpke
Norwich, CT 06360

**Please park on the left side lower parking lot.*
Cost per workshop = \$20 per person
Light refreshments are included!



Renovation Loan Seminar

Wednesday, April 4, 2012
4:00-6:00 PM

Want to Hear About a Unique Financing Tool?

See how your equity-strapped clients can obtain the funds they need to renovate their homes and get you the work you need!



Introduction to Wind Design in Residential Wood Frame Construction

Wednesday, April 11, 2012
4:00-6:00 PM

Featuring Steve Archer
USP Structural Connectors/Hardy Frames, A MiTek Company



JamesHardie Wednesday, April 18, 2012
4:00-6:00 PM

Learn about NEW Hardie products, up and coming products, in-home sales tools, and tips and tricks for proper Hardie installation.



Thriving With Light Commercial

3/28/12
[Lisa Leone](#) or call 800-368-5242 x8455

Culture Change for Sales Success: Creating a Sales-Centered Organization

4/4/12
[Sonora Munks](#) or call 800-368-5242 x8694

The Cost of Doing Business Study

4/18/12
[Marcia Childs](#) or call 800-368-5242, x8388

All webinars are \$24.95 and run from 2:00 pm—3:00 pm on their designated day. For more information on any of these webinars, please call the BAEC office at 860-859-3518.

Heat Check

Phase-change material could regulate a room's temperature

By John Caulfield

Imagine window treatments or painted walls that could store excess heat in a room and release that heat when the room gets a bit chilly. Several companies are currently working to bring this scenario closer to reality. National Gypsum, for instance, is currently testing [ThermalCORE](#), wall panels treated with Micronal, a BASF-produced microscopic acrylic "phase-change material" (PCM) that helps maintain a comfortable interior environment as room temperatures fluctuate during the day.

On the other side of the globe, researchers at the University of Nottingham in Ningbo, China, have been toiling for eight years on a composite PCM whose "unique advantages" offer a higher energy storage capacity and faster heat transfer, according to Professor Jo Darkwa, the team's leader and director of the university's Center for Sustainable Energy Technologies.

In the lab, the PCM looks like an oversized Alka Seltzer, but could be made larger or small enough to be sprayed onto surfaces depending on use. Darkwa says the material may eventually be combined with gypsum drywall, paint, laminated transparent sheets for window blinds, and other residential products.

In essence, Darkwa explains, the material is engineered so that it stores or releases heat by solidifying or melting at constant temperatures.

"For heating applications, it can store any excessive solar or internal sundry heat gains when a preset room temperature is exceeded and then releases the heat back when the temperature falls below a preset room temperature," he says.

For cooling applications, the material could be used to reduce the amount of solar heat gains through walls, roofs, and windows into rooms, thereby minimizing the total cooling loads of air conditioners by as much as 65 percent. "Depending on the internal environmental conditions in a room, additional cooling by air conditioning may not even be necessary," says Darkwa, except to control humidity and air movement.

All told, the application of this material has the potential to cut a building's energy consumption by 35 percent. And given that construction produces more carbon emissions than any other industry in the world, the commercialization of this type of PCM could have a significant impact on curtailing energy usage and the pollutants that are emitted due to that usage.

Darkwa and his team have been conducting life-cycle analyses to determine how the addition of the PCM would affect the overall cost of the product.

Their research already has financial backing from China's public and private sectors, and Darkwa tells Builder that some kind of product—such as a solar photovoltaic efficiency enhancement application—could be on the market within the next two years.

New Home Buyers Turn to Uncle Sam

As the housing downturn wore on in recent years, tightening credit conditions and difficult down payment requirements has prompted more new home buyers to pursue financing from FHA or for veterans, the VA. Our data feature this week, courtesy of [Housing IntelligencePro](#), shows that in 2005, just 5% of new home closings that had a mortgage were FHA loans, and a mere 2% were VA loans. In 2008 that share rose to 25% and 7%, respectively, and last year increased again to 29% for FHA and 14% for VA. And not only did the share increase, but the raw number of transactions for these loan types increased as well, which is especially notable given that overall volume fell over 75% between 2005 and 2011. Meanwhile the number of FHA loan transactions increased 23% and the number of VA loan transactions increased 43%. It certainly makes one wonder how much lower new home volumes would have been without these programs available.

Data Feature of the Week		
Federal Lending		
Share of New Home Transactions with a Mortgage		
Year	FHA	VA
2005	5%	2%
2008	25%	7%
2011	29%	14%

Source: Housing IntelligencePro

2012: First Steps of Recovery

It's a long road, but it starts this year. 2011 likely set an annual record for low volume in new home, but there two important caveats to that unfortunate milestone which should not be ignored. Firstly, it's important to remember the federal housing tax credit in 2010 pulled forward some amount of demand, likely a substantial amount given that it was active during the spring selling season. Without that tax credit, it is possible if not likely that 2010 would have been the trough in new home sales and closings. Secondly, the last few months of 2011 have shown some encouraging trends in volume activity. According to new home closing data from Housing IntelligencePro, December will wind up being flat or close to it by the time all the transactions are fully logged on a year-over-year basis, and based on what we've seen from January we stand a good chance of seeing a humble year-over-year percentage gain in closing volume. Good way to start the year! So don't hold your breath for robust growth in 2012, but as the saying goes, every journey begins with a single step.

Data Feature of the Week	
Better Days Ahead	
Year over Year Change in New Home Closings	
Month	Y-o-Y Change
September 2011	-9%
October 2011	-9%
November 2011	-5%
December 2011*	0%
January 2012*	6%

*Estimated

Source: Housing IntelligencePro

A Look Inside Builders' Books

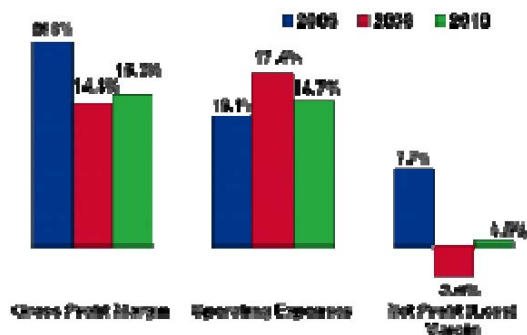
If you have ever wondered how much single-family builders are earning these days or how much profit is considered “average” in the industry, then a recently published NAHB study based on a national survey of single-family builders titled “[The Cost of Doing Business Study: 2012 Edition](#)” will help provide answers.

On average, single-family builders in fiscal year 2010 made \$7.1 million in revenue, had \$6.0 million go towards cost of sales, and slightly over \$1 million towards operating expenses, which left them with an average net profit of \$39,000 (before taxes). In terms of percentages of revenue, cost of sales represented 84.7% of total revenue, which translates into a gross profit margin of 15.3%. Operating expenses ate up another 14.7%, leaving builders with a net profit margin of only 0.5%.

	Average (in \$1,000s)	% of Revenue
Total Revenue	\$7,058	100%
Cost of Sales	\$5,978	84.7
Gross Profit	\$1,079	15.3
Operating Expenses	\$1,040	14.7
Net Profit	\$39	0.5

The average net profit margin of 0.5% reported by builders in 2010 may be small, but at least it was positive. The picture was quite different in 2008, when builders reported a *negative* net profit margin of 3.0%! In contrast, the average net margin in 2006 stood at 7.7%.

Data also show that builders did some significant belt-tightening around operating expenses. In fact, these expenses went from representing 17.4% of revenue in 2008, down to 14.7% in 2010.

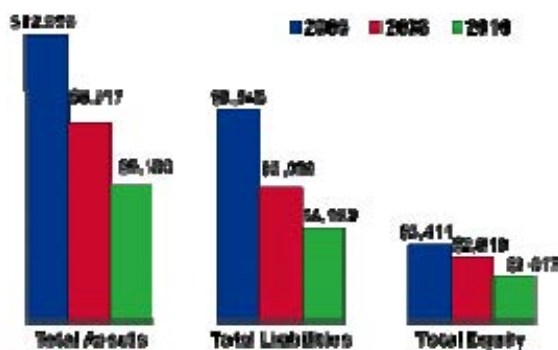


As far as their balance sheet, builders had an average of \$6.2 million in assets in 2010, \$4.2 million in liabilities, and \$2.0 million in equity. Only 7.7% of their total assets was held in cash, while

69.7% was held as construction work in progress.

	Average (in \$1,000s)	% of Assets
Total Assets	\$6,180	100%
Total Liabilities	\$4,162	67.4
Total Equity	\$2,017	32.6

Builders' balance sheets have shrunk by more than half since 2006, when they reported an average \$13.0 million in total assets. But liabilities have come down by even a bigger margin, going from \$9.5 million in 2006 to \$4.2 million in 2010. As a result, on average, builders have seen their current ratio and debt-to-equity ratio improve significantly during this period.



Lowe's now has an official affinity program with NAHB®

To register, and find out more information about great offers, visit Lowe'sForPros.com/NAHB or call 877-435-2440.





HBA of Connecticut News

HOME BUILDING INDUSTRY DAY AT THE CAPITOL

Wednesday, March 28, 2012

AGENDA

Registration at 8:15 AM

Old Judiciary Room, 3rd Fl, State Capitol Building

8:30 – 9:30

COFFEE BRIEFING: For all Attendees – Learn from HBA of CT CEO about the relevant issues, status of bills, and get your questions answered. Old Judiciary Rm., 3rd Fl, State Capitol Building.

Note: issues change daily, updated information will be available at www.hbact.org shortly before March 28.

9:45 - 12:00

MEETINGS WITH LEGISLATORS: This is the time to meet with your legislators. Please contact your state Senator & Representative in advance to arrange a meeting or work with your local HBA to form small groups and meet with several legislators.* Meet in their offices or in the HBACT reserved room for meetings, Room 1A, Legislative Office Bldg (LOB). **Please plan your appointments accordingly to be back in Old Judiciary Rm, Capitol Building, by 12:00 for our luncheon.**

12:00 – 1:15

WRAP UP LUNCHEON (Speaker to be announced): Return to Capitol Bldg, Room 310, for a light lunch with remarks from a keynote speaker (free, but advance registration is required). Don't miss it!

Your feedback is important; please join us for the luncheon to share information and learn what needs to be done next.

**MANY THANKS TO OUR SPONSORS:
By Carrier, Inc. & Lovley Development**

*Feel free to make appointments outside this time slot if it works for your legislator(s), or even to meet in their home district on a different date or time.

For more information or to register, visit www.hbact.org.



If it's ABOUT JOBS, then it HAS TO BE ABOUT HOME BUILDING! Please SUPPORT these HBA regulatory & tax relief bills.

(Committee and vote tally noted)

- ◆ **HB 5320**, File No. ____, Fixes confusing language in PA 11-79; streamlines local development financial guarantee process. (P&D;)
 - ◆ **HB 5344**, File No. ____, Streamlines DEEP's stormwater permits by allowing Qualified Professionals to certify compliance with applicable stormwater control requirements. (Commerce,)
 - ◆ **SB 107**, File No. ____, Coordinates inland wetland permit expiration dates with associated site plan and subdivision expiration dates. (P&D, 20-0)
-
- ◆ We are also seeking a much needed carve-out for 1 & 2 family home builders from **HB 5035, sec. 2**, so that a home builder's inventory of unsold, unoccupied homes is not taxed at higher assessments until the home transfers, is used as a residence or receives a certificate of occupancy, whichever occurs first.

BUILDING BRIEFS

Help Build Support for Legislation to Improve Lead Paint Rules

NAHB is urging all of our members to ask your Senators to co-sponsor S. 2148, the Lead Exposure Reduction Amendments Act of 2012.

The Lead Exposure Reduction Amendments Act of 2012 was introduced by Senator James Inhofe (R-Okla.) on March 1. Among other improvements, the bill would restore the "Opt-Out" provision for homes in which no children under six or pregnant women reside. This modification would reduce unnecessary compliance costs to the tune of more than \$336 million per year. The bill also addresses the lack of an EPA-approved lead test kit.

If you haven't already done so, participating in our letter-writing campaign is very easy. Simply visit the NAHB website at: www.capitolconnect.com/BuilderLink.

At the above address, fill in the required information to ensure that your letter goes to the Senators who represent your state in Congress. Thank you for your efforts in helping to address the impracticality of the lead paint rule and in pushing forward common-sense, effective solutions to its compliance challenges.

Senate Defeats Amendments to Renew Home Energy Tax Credits

The Senate this week voted to defeat two energy-related proposals that would have extended the lapsed [Existing Home Retrofit Tax Credit \(25C\)](#), which provides consumers a tax credit of up to \$500 for the purchase of qualifying energy-efficient products.

The amendments were offered as the chamber debated the \$109 billion highway bill (S. 1813), which the Senate passed later in the week.

An amendment by Sen. Debbie Stabenow (D-Mich.) would have extended the 25C tax incentives, which expired at the end of last year, through 2012 without providing an offset to pay for the credit. Stabenow's amendment was defeated on a 49 to 49 vote. Sen. Pat Roberts (R-Kan.) put forth a broader amendment to extend the 25C tax credit for one year and extend tax credits for the oil and gas industries, but his proposal fell by a 41 to 57 margin.

Under Senate rules, both amendments required a 60-vote threshold to achieve passage. Prior to the votes on the Stabenow and Roberts amendments, NAHB weighed in forcefully on this matter in written testimony submitted to the Senate leadership. "This tax credit has helped support the remodeling industry during a period in which new home sales experienced dramatic declines," NAHB said. "To make it an effective incentive for 2012,

action needs to be taken in the very near term. Middle-class taxpayers, who are the primary beneficiaries for energy tax incentives, are particularly unlikely to purchase a more expensive, energy efficient product on the expectation that Congress will extend a tax credit retroactively."

Remodelers often leverage 25C tax incentives when working with clients. NAHB estimates that the remodeling activity generated by this tax credit in 2009 was associated with more than 278,000 full-time jobs.

The Stabenow amendment would also have extended another critical energy efficiency tax credit, the [New Energy Efficient Home Tax Credit \(45L\)](#). This is the only federal incentive available for efficiency in new home construction.

"Builders who normally utilize the 45L tax credit are faced with the difficult decision of whether to continue to offer the benefit of this credit to their customers without knowing if it will be extended," the NAHB letter said. "This decision is even more difficult due to the ongoing housing downturn and extremely tight margins that most builders currently operate on."

NAHB is continuing to urge lawmakers to extend these tax credits in a timely fashion.

Consumer Financial Protection Bureau Scrutinizes Appraisals and Other Realty Fees

The new Consumer Financial Protection Bureau is reviewing ways to bring more clarity and better disclosure to the home buying process — including appraisal charges. Although banks and mortgage lenders maintain that there is no need for additional disclosure, appraisers, builders, realty brokers and others say the costs of appraisals to consumers have increased during the past two years, while the quality and accuracy of the work have declined. In a random sample of 3,600 of its members last year, the National Association of Realtors found that 70% reported that consumers were being charged higher appraisal fees — sometimes an additional \$100 or more — than was the typical charge

previously. At the same time, NAR members who are appraisers reported sharp reductions in their compensation: cuts of 40%-50% per assignment. Many of the Realtors polled said they saw significant increases in the number of appraisers who were unfamiliar with local market conditions because they were from another geographic area. The same poll also found a growing incidence of sales transactions being derailed by appraisals that came in below the contract price agreed upon between the seller and the buyer.



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 BAEC@aol.com

If we had no winter, the spring would not be so pleasant; if we did not sometimes taste of adversity, prosperity would not be so welcome.

~Anne Bradstreet

WE'RE ON THE WEB!
WWW.BAEC.NET

Buy this space
 and get your company
 recognized

*BAEC is the recognized source of quality building services and information.
 We build neighborhoods and improve the communities in which we live and work.*

MARCH MEMBERSHIP MEETING



**Need Software Solutions
 to Effectively Manage Your
 Business?**

Dawn Brolin of Professional Accounting Solutions, LLC
 will demonstrate Quickbooks job costing and
 third-party mobile applications

March 28, 2012
 5:30 PM
 Bella Fiore Restaurant
 543 West Thames Street
 Norwich, CT 06360



BAEC members \$25.00
 Billings \$30.00
 Non Members \$35.00

CALENDAR OF EVENTS

MARCH 2012

Wed. 28th	8:30 AM	Home Building Industry Day at the Capital Hartford, CT
Wed. 28th	5:30 PM	BAEC Membership Meeting Bella Fiore Restaurant 543 West Thames Street Norwich, CT

APRIL 2012

Tues. 3rd	6:00 PM	BAEC Board of Directors Renovation Loan Seminar
Wed. 4th	4:00 PM	HBACT Developers Council
Thurs. 5th	6:00 PM	Intro to Wind Design in Residential Wood Frame Construction Seminar
Wed. 11th	4:00 PM	James Hardie Products BAEC Membership Meeting (location TBD)
Wed. 18th	4:00 PM	
Wed. 25th	6:00 PM	

To register, please call the BAEC
 office at 860-859-3518

For more information visit our
 calendar at www.BAEC.net