

Company Summary

Greenbuild Design & Construction LLC

1611 George Bell Cir

Anchorage, Alaska, 99515-3955

United States

Tel: +1-907-341-3366

Marketability: Has Not Opted Out of Direct Marketing

Employees (This Site): 2 (Modelled)

Employees (All Sites): 2 (Modelled)

Company Type: Private Independent

D-U-N-S® Number: 05-625-2416

Reporting Currency: USD

Financials In: USD

Annual Sales: 108k (Modelled)

Business Description

Greenbuild Design & Construction Llc is a general contractor primarily engaged in construction (including new work, additions, alterations, remodeling, and repair) of single-family houses.

Source: D&B

Industry

D&B Hoovers: [Residential and Commercial Building Construction](#)

US 8-Digit SIC: [15219901 - New construction, single-family houses](#)

Corporate Highlights

Prescreen Score: **HIGH RISK**

D-U-N-S® Number: 056252416

Year Founded: 2014

Decision HQ: Greenbuild Design & Construction LLC

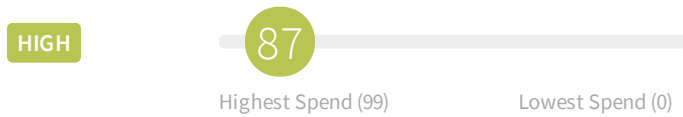
Home-Based Business: True

Plant/Facility Size (sq. ft.): 2,172

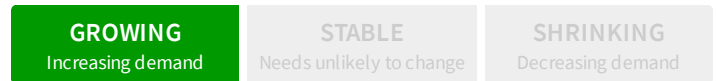
Latitude: 61.095266

Longitude: -149.852691

Spend Capacity



Growth Trajectory



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Contacts

Results are not available for this company

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Corporate Overview

Location

1611 George Bell Cir
Anchorage, AK, 99515-3955
Anchorage County
United States

Sales USD(mil):

0.1

Assets USD(mil):

NA

Employees:

2

KeyIDSM:

189416927

Industry:

Construction Services

Incorporation Date:

2014

Company Type:

Private Independent

Quoted Status:

Not Quoted

Tel: 907-341-3366

Marketability: Has Not Opted Out
of Direct Marketing

Industry Codes

US SIC 1987:

1521 - [General Contractors-Single-Family Houses \(Primary\)](#)

US 8-Digit SIC:

15219901 - [New construction, single-family houses \(Primary\)](#)

NAICS 2017:

236115 - [New Single-Family Housing Construction \(except For-Sale Builders\) \(Primary\)](#)

ANZSIC 2006:

3011 - [House Construction \(Primary\)](#)

ISIC Rev 4:

4100 - [Construction of buildings \(Primary\)](#)

NACE 2002:

4120 - [Construction of buildings \(Primary\)](#)

UK SIC 2007:

41202 - [Construction of domestic buildings \(Primary\)](#)

UK SIC 2003:

45212 - [Construction of domestic buildings \(Primary\)](#)

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Source: D&B

Financial Data

Financials in:

USD(mil)

1 Year Growth

Revenue:

0.1

NA

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Closest Industry Peers



Barabara Construction Co

Residential and Commercial Building Construction

Anchorage, Alaska, United States

Sales USD: 1.2M (Modelled) • Assets:582k

Employees (This Site): 10 (Actual) • Employees (All Sites): 10 (Actual)

Private Independent

+1-907-345-7499

Distance: 0.14 mi



Epoch Contracting Company

Residential and Commercial Building Construction

Anchorage, Alaska, United States

Sales USD: 5k (Projected)

Employees (This Site): 1 (Actual) • Employees (All Sites): 1 (Actual)

Private Independent

+1-907-317-6427

Distance: 0.14 mi



Daynight Construction Inc

Residential and Commercial Building Construction

Anchorage, Alaska, United States

Sales USD: 289k (Modelled)

Employees (This Site): 10 (Actual) • Employees (All Sites): 10 (Actual)

Private Independent

+1-907-240-6101

Distance: 0.22 mi



G and S Construct LLC

Residential and Commercial Building Construction

Anchorage, Alaska, United States

Sales USD: 75k (Modelled)

Employees (This Site): 1 (Modelled) • Employees (All Sites): 1 (Modelled)

Private Independent

+1-907-887-9687

Distance: 0.34 mi



Miller Homes LLC

Residential and Commercial Building Construction

Anchorage, Alaska, United States

Sales USD: 234k (Modelled)

Employees (This Site): 2 (Actual) • Employees (All Sites): 2 (Actual)

Private Independent

+1-907-223-3438

Distance: 0.34 mi



Timber Rose Investments LLC

Residential and Commercial Building Construction

Anchorage, Alaska, United States

Sales USD: 123k (Modelled)

Employees (This Site): 2 (Actual) • Employees (All Sites): 2 (Actual)

Private Independent

+1-907-522-3986 • www.timberroseinv.com

Distance: 0.34 mi



Kymco LLC

Residential and Commercial Building Construction

Anchorage, Alaska, United States

Sales USD: 421k (Modelled)

Employees (This Site): 5 (Actual) • Employees (All Sites): 5 (Actual)

Private Independent

+1-907-245-2399

Distance: 0.4 mi



A To Z Custom Home Repair

Residential and Commercial Building Construction

Anchorage, Alaska, United States

Sales USD: 75k (Modelled)

Employees (This Site): 1 (Modelled) • Employees (All Sites): 1 (Modelled)

Private Independent

Distance: 0.45 mi



Alexander Construction

Residential and Commercial Building Construction

Anchorage, Alaska, United States

Sales USD: 116k (Modelled)

Employees (This Site): 1 (Actual) • Employees (All Sites): 1 (Actual)

Private Independent

+1-907-952-0136

Distance: 0.49 mi



574 Construction LLC

Residential and Commercial Building Construction

Anchorage, Alaska, United States

Sales USD: 75k (Modelled)

Employees (This Site): 1 (Modelled) • Employees (All Sites): 1 (Modelled)

Private Independent

Distance: 0.5 mi

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Industry Overview

Residential Construction Contractors

Fast Facts

Companies in this industry construct and renovate residential buildings. Major companies include DR Horton, KB Home, Lennar, NVR, and PulteGroup (all based in the US), as well as Country Garden Holdings (Hong Kong), Daiwa House (Japan), and Desarrolladora Homex (Mexico).

Global construction of new housing is forecast to rise 2% per year through 2022, reaching annual housing production of more than 60 million units, according to Freedonia. The strongest growth is expected to come from India and China, which together are forecast to account for more than a third of the new homes built worldwide through 2022.

The US residential construction contracting industry includes about 170,000 establishments (single-location companies and units of multi-location companies) with annual revenue of about \$515 billion.

Builders of both single-family and multifamily housing are included in the industry, as are residential remodelers. The industry includes general contractors, who build on land owned by others, and operative builders, who build on land they own or control. Specialty trade contractors such as plumbers and electricians, who often work as subcontractors for residential construction contractors or operative builders, are covered in separate profiles.

Industry Growth Rating



Reflects snapshot of industry performance vs. industry risk over the next 12 to 24 months relative to other U.S. industries, along with short descriptions of vital demand and risk factors influencing the industry. Use to quickly determine the overall projected health of an industry.

- Demand: Depends on population growth and low interest rates
- Highly dependent on home prices
- Risk: Housing slumps and volatile input costs

Industry Forecast

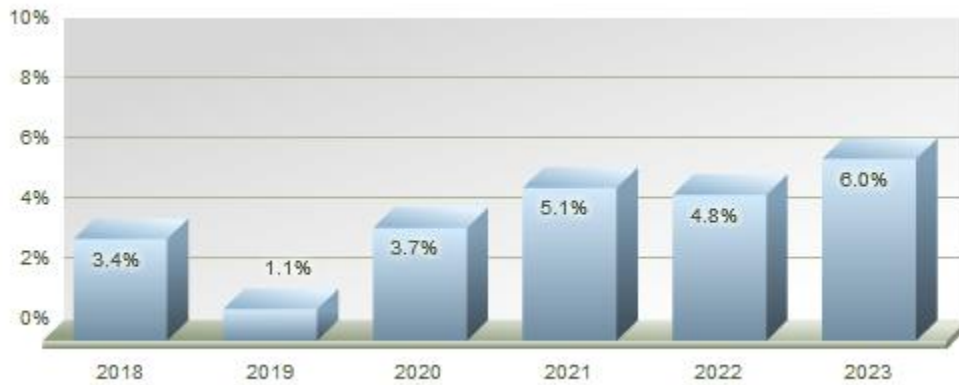
The value of US new residential home construction and renovations is forecast to grow at an annual compounded rate of 5% between 2019 and 2023.

Data Published: August 2019

Industry Indicators

US personal income, which drives consumer spending on home construction, rose 4.4% in October 2019 compared to the same month in 2018.

The value of US residential construction spending, an indicator of the health of the residential construction market, dropped 7.1% year-to-date in October 2019 compared to the same period in 2018.



First Research forecasts are based on INFORUM forecasts that are licensed from the Interindustry Economic Research Fund, Inc. (IERF) in College Park, MD. INFORUM's "interindustry-macro" approach to modeling the economy captures the links between industries and the aggregate economy.

Top Challenges & Talking Points

Highly Cyclical Demand

Demand for new residential buildings can change rapidly, depending on the economy and interest rates: from 1986 to 1991, annual US home construction dropped 40%; from 1995 to 2005, it increased 75%; and from 2006 to 2011, it fell 65%.

 How does the company prepare for real estate cycles?

Risks of Speculative Projects

Because a large number of homes are built speculatively, builders bear the risk that changing market conditions will produce lower selling prices than they'd anticipated.

 How does the company protect itself from changes in home prices?

Dependence on Local Economy

Despite national trends, demand for housing can be very volatile in local markets.

 How exposed is the company to downturns in local demand?

Executive Talking Points

Top Opportunities & Talking Points

Internet Marketing

An active online presence can dramatically improve traffic to builder sales centers, increase conversion rates, and improve customer satisfaction by enabling builders to stay connected with customers through the entire home ownership cycle.

 What role has the internet played in the company's marketing strategy?

Special-Purpose Housing Developments

The changing demographics of the US population suggest that demand for second homes and retirement communities will increase.

 What opportunities does the local market present for special-use projects, such as retirement communities?

Multifamily, For-Rent Apartments

High demand for apartments and condos has resulted in many traditionally single-family home builders also turning to multifamily construction.

 To what extent does the company work on multifamily projects?



Chief Executive Officer - CEO

Forecasting Local Market Conditions

How does the company forecast changing market conditions?



Chief Financial Officer - CFO

Arranging Construction and Mortgage Financing

How does the firm arrange financing for its projects?



Chief Information Officer - CIO

Improving Project Management

What efforts has the company made to improve its project management?



Human Resources - HR

Hiring and Training Seasonal Workers

How successfully has the company hired and trained seasonal workers?



VP Sales/Marketing - Sales

Arranging Sales Agreements with Realtors

How extensively does the company arrange sales agreements with realtors?

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Industry Description

Residential Construction Contractors

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Competitive Landscape

Demand is driven by population growth and economic growth. The profitability of individual companies depends on efficient operations and securing favorable building locations. Large builders enjoy economies of scale in purchasing. Small companies can compete effectively by specializing in a certain type of home or by focusing on a specific geographic area.

Products & Operations

Major products are single-family homes and multifamily buildings. Companies generally specialize in either single-family or multifamily work.

The building process consists of distinct steps: land acquisition; land development (roads, sewers, utilities); permit acquisition ("entitlement"); construction; and marketing and sales. The time from initial land acquisition to final sale of a home is usually 12 to 24 months, but can be longer for large projects or in congested areas with a lengthy entitlement process. Some companies work as general contractors for developers (as is typical in commercial construction), but most companies are "operative builders," who build and sell homes for their own account.

Actual construction consists of foundation work; framing (exterior walls and roof); and build-out (interior finishing, including electrical work, plumbing, floors, walls, ceilings, and carpentry). On average it takes seven months to build a single-family home (from permits to completion) and nine to 15 months for a high-rise. Construction costs (including the cost of the finished lot) for single-family homes typically account for about 60% of the eventual sales price, according to the National Association of Home Builders (NAHB).

Larger homebuilders generally develop projects on raw tracts of land and enjoy economies of scale in construction that allow low pricing. Big builders may also engage in other types of construction to capitalize on project management expertise and counter residential real estate cycles. Some large companies also provide property management services, like security systems, pest control, and pool maintenance.

Technology

IT budgets are typically small, and IT functions are often outsourced. The industry's technology spending and use focuses on communications and security equipment in the office and on the job site, and computers and software to manage customers, inventory, subcontractors, marketing, and administrative functions. Adoption of mobile technologies including cell phones with two-way radios and internet access is streamlining communication in the industry. Construction companies that have in-house architectural or engineering staff use specialized design software such as CAD and 3D modeling to create floor plans and technical drawings.

Use of unmanned aerial vehicles (UAVs, also known as drones) to automate early foundation work on construction sites is expected to become more commonplace. Drones are being used for the cost-effectiveness and ease they offer for site inspections.

Sales & Marketing

Typical customers are home buyers and property investors. The typical new home buyer has owned a house before, has an annual household income of about \$97,000, and is about 54 years old, according to the National Association of Home Builders (NAHB). First-time buyers are typically about 30 years old with a household income of about \$75,000.

In some cases, homes are pre-sold, but most home construction is speculative ("on spec"), based on the expectation that a buyer will be found after a home is built. Large builders have a sales force, use model homes to market, advertise heavily, and frequently provide financing, either through an affiliated mortgage company or a third-party lender. Smaller companies typically sell through real estate brokers and don't provide financing, although they may recommend a third-party lender. Builders often specialize in certain market segments (low- or high-end, retirement communities, etc.) to capitalize on their marketing expertise.

Traditional marketing includes newspaper, magazine, radio, and TV advertising; direct mail; billboards; brochures and local home guides; and consumer trade shows and real estate exhibits such as Parade of Homes. Builders use design showrooms and model homes to attract, educate, and sell customers on floor plans, options, and upgrades. Experts recommend that the design showroom be no more than 15 miles away from the builder's site. Builder websites have also become a major marketing tool, as a growing number of home buyers use the internet to research builders and new home communities before visiting showrooms and models.

Pricing varies by location: new homes in the Northeast and West are typically priced higher than the national average, and homes in the Midwest and South priced below. Land acquisition and development costs affect values; builders tend to price new homes higher in areas with minimal land for development such as in metropolitan and other high population density regions, to recoup the inflated cost of limited or high-demand land.

Finance & Regulation

Cash flow on a project is highly uneven, with all costs incurred before any return is realized. While single-family projects may be completed and sold in phases, multi-family buildings must be finished before occupation, increasing financing requirements and risk. Homebuilders often hold fairly large inventories of land and of finished or unfinished housing. Because of the inherent risk in residential real estate development, even large companies have only limited access to capital markets, and banks provide a large portion of real estate financing. The industry is capital-intensive: average annual revenue per employee in the US is about \$640,000.

The low gross margin on home construction (typically less than 15% for the industry in the US) means that there is little room for error in estimating construction costs and sales prices.

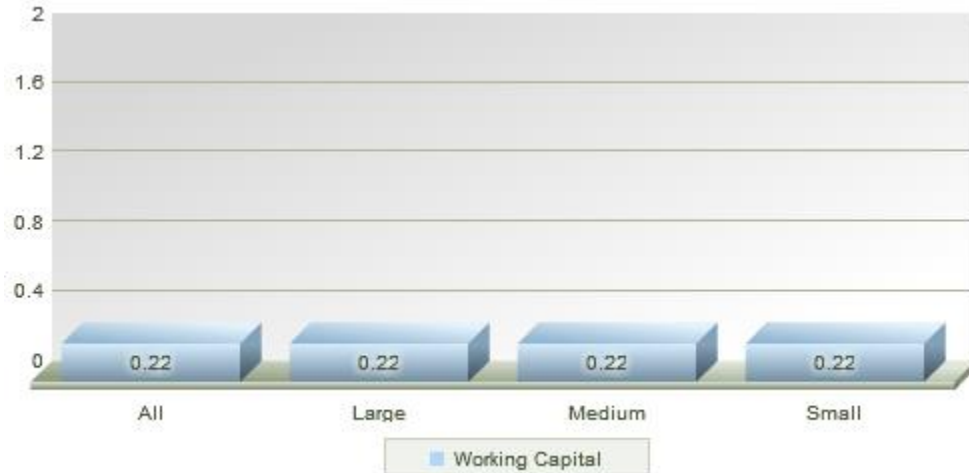
Regulation

Companies in the industry must comply with federal and state safety regulations, local building codes, and local permit processes that can be very involved, especially in urban areas.

Large residential construction projects often require an Environmental Impact Assessment (EIA) to determine positive and negative effects such as soil contamination and erosion, air and water pollution, and noise, and impact on geology, plants, and wildlife. EIA results may spur regulators to issue an Environmental Impact Statement (EIS), open for public comment. The EIS can be challenged in court and construction projects may be delayed or halted. Builders may be held liable for damages to the environment and may carry insurance coverage on a project to protect themselves financially.

Working Capital Turnover by Company Size

The working capital turnover ratio, also known as working capital to sales, is a measure of how efficiently a company uses its capital to generate sales. Companies should be compared to others in their industry.



Financial industry data provided by MicroBilt Corporation collected from 32 different data sources and represents financial performance of over 4.5 million privately held businesses and detailed industry financial benchmarks of companies in over 900 industries (SIC and NAICS). More data available at www.microbilt.com.

Regional & International Issues

Global construction of new housing is forecast to rise 2% per year through 2022, reaching annual housing production of more than 60 million units, according to Freedonia. Top companies based outside the US include Carillion (UK), Country Garden Holdings (Hong Kong), Daiwa House (Japan), and Desarrolladora Homex (Mexico).

The strongest growth is expected to come from India and China, which together are forecast to account for more than a third of the new homes built worldwide through 2022.

China passed the US as the world's largest construction market in 2010. Growth has been driven by a rising middle class and increasing urbanization, as more Chinese move to the cities to find better-paying work. Growth in residential construction has slowed along with the growth of China's economy in recent years, however, due in part to reduced consumer demand and excess capacity on the market.

In terms of units, multifamily housing is performing well. The number of multifamily units worldwide is expected to outpace that of single-family housing units, according to Freedonia. Gains will be led by Asia/Pacific, Africa, and the Middle East amid continued urbanization.

Homebuilders looking to take advantage of growth in residential construction in emerging countries face many risks. Political unrest can cause delays and other problems for construction projects. Laws governing the construction industry can vary widely from country to country. Consequently, many firms undertake joint ventures with domestic firms to help them navigate the legal and political landscape of developing countries.

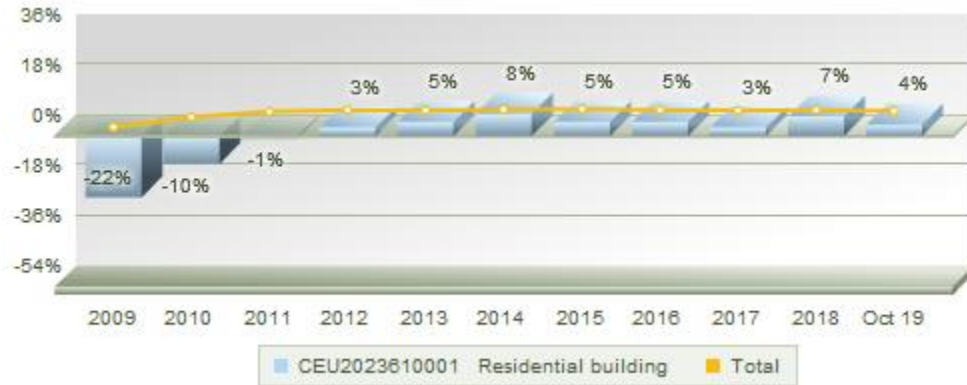
In the US, demand for housing can vary sharply from market to market. States with the most residential construction contractors include California, New York, and Florida.

Human Resources

Many jobs in residential real estate construction require less extensive training or experience than specialized trade crafts, like electrical or plumbing work, where licensing is required. Unlike commercial construction, where operating heavy machinery is common, most residential work involves manual labor or hand tools.

Most construction work is performed by subcontractors, who are retained for construction on a particular subdivision. Roles within residential real estate companies are often managerial, consisting of personnel who monitor homes under construction, make design and building decisions, coordinate activities of subcontractors and suppliers, run quality and cost control checks, and monitor compliance to zoning and building codes.

Companies often keep a core of full-time employees and hire additional workers for individual projects. Employment typically declines in winter months when construction is slow and increases in spring and summer when construction activity rises. Average hourly wages for the US industry overall are slightly higher than the national average. The industry injury rate is moderately higher than the national average.



Industry Employment Growth - Bureau of Labor Statistics



Average Hourly Earnings & Annual Wage Increase - Bureau of Labor Statistics

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May 4
2020

Challenge: Construction Adjusts for COVID-19 Changes

Residential construction contractors are bracing for a decline in home sales and consumer traffic caused by the economic effects of the coronavirus outbreak. With many consumers affected by shelter-in-place orders and job loss, residential construction contractors have had to adjust their day-to-day operations to best meet the needs of customers. Many model homes and sales offices remain open but new restrictions are in place for customers such as visiting by appointment only and additional sanitizing and cleaning of all locations. Homebuilders are also giving customers more virtual viewing and buying options. For example, Lennar Corporation has upgraded its digital platform to allow customers to reduce risk and in-person contact and purchase a home "completely remotely" with an option for a private tour prior to closing. Several homebuilders also announced actions related to managing cash flows and protecting liquidity during the pandemic such as extending the closing date of land purchases and delaying land development activity.

Industry Impact

Residential construction contractors need to take action to prepare for a changing economic environment related to the impact of the coronavirus pandemic.

Oct 7
2019

Trend: Median-Priced Homes Unaffordable in 75% of Markets

Median-priced homes in the third quarter of 2019 were not affordable in nearly 75% of US housing markets, a continuing trend in the nation, according to a new report from ATTOM Data Solutions. Median home prices were not affordable for the average wage earner in 371 of 498 US counties analyzed, including Los Angeles County, California; Cook County (Chicago), Illinois; and Maricopa County (Phoenix), Arizona. In addition, 67% of markets require at least 30% of annualized weekly wages to buy a home, which is higher than the debt ratio recommended by financial experts. Wage growth is not keeping up with home price appreciation in 76% of markets including Suffolk County (Boston), Massachusetts; Miami-Dade County, Florida; and Arlington County (Washington), Virginia. Rising home prices are tied to a shortage of homes for sale in most of the country, a result of lackluster home-building that followed the recession. Meanwhile, housing markets that are affordable for the average wage earner include Harris County (Houston), Texas; Wayne County (Detroit), Michigan; Philadelphia County, Pennsylvania; and Allegany County, Ohio.

Industry Impact

Residential construction contractors may find strong demand for lower-priced housing in many US markets.

Apr 29
2019

Challenge: Limited Workers, Tighter Schedules Identified as Top Risks

Labor shortages have been identified as the top risk facing the construction industry in a new survey of general contractors, construction managers, and specialty contractors released by construction consulting firm FMI. Leading concerns included limited supply of skilled craftworkers (named by 80% of respondents), limited supply of experienced supervisors (44%), changes in contract language/insurance (33%), and tighter project schedules (30%). Results also indicate that construction and engineering executives are now taking a more proactive approach to risk management, with 25% in 2019 saying their organizations are more effective at managing risk compared to 17% in 2016. Firms have new tools, new technology, and risk management strategies to better adapt to a changing construction and engineering landscape, according to the survey.

Industry Impact

Residential construction contractors may want to take a proactive approach to risk mitigation to better manage potential staffing issues, contract changes, and accelerated project schedules.

Jan 28
2019

Trend: Market for Green Building to Grow Through 2021

Organizations across the construction industry, including residential construction contractors, are continuing to shift toward more sustainable practices, according to a recent report by Dodge Data & Analytics. Nearly half of survey participants -- more than 2,000 engineers, contractors, owners, and investors globally -- expect to make more than 60% of their projects "green" by 2021, with the top sectors for green building including new high-rise residential along with commercial work. Prominent reasons for going green include meeting client demands (34%), complying with environmental regulations (33%), and social reasons (27%), such as improved occupant health and well-being. Fewer survey respondents also now perceive that green construction costs more than traditional construction, though top obstacles continue to include actual and perceived costs in addition to affordability and lack of public awareness. However, green-building benefits include up to 10% savings in operating costs within the first year as well as increased asset values for new green buildings.

Industry Impact

Residential construction contractors may want to prepare for an increase in green construction projects to better meet growing client requests, social pressures, and increasing environmental regulations.

Quarterly Update Question



What steps is the company taking to prepare for a potential downturn in demand related to the coronavirus outbreak?

Residential construction contractors are bracing for a decline in home sales and consumer traffic caused by the economic effects of the coronavirus outbreak.

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Chief Executive Officer - CEO

Forecasting Local Market Conditions

The profitability of a residential construction company is closely tied to future demand for new housing in a particular market. The time from land acquisition to home sale can be 12 to 24 months. With the profit margin on construction relatively low, changing market conditions can quickly erode profits. Up markets can cause material and labor shortages, while down markets can require lowering prices to move completed units.

Establishing Ties with Local Developers

Homebuilders typically develop their own projects, but may also work as general contractors for local real estate developers, especially for large projects. Such projects often take many years to plan and execute. Developers may ask for bids from contractors, but often work repeatedly with a favorite contractor.

 How does the company forecast changing market conditions?	Up markets can cause material and labor shortages while down markets may require lower pricing.
 What ties does the company have to local developers?	Developers may ask for bids from multiple contractors but often work repeatedly with a favorite contractor.



Chief Financial Officer - CFO

Arranging Construction and Mortgage Financing

Large homebuilders can issue securities to finance their activities, but most typically finance projects with bank loans. Because of the risks involved in real estate projects, construction loans carry relatively high interest rates. Builders with large projects may also arrange special financing terms with mortgage lenders to help customers buy homes.

Hiring and Controlling Specialty Contractors

Homebuilders may keep a permanent workforce for long-duration work such as home framing, but hire specialty contractors for short-term work such as foundations, masonry, electrical, painting, roofing, etc. In active local markets, hiring and scheduling specialty contractors can be difficult and expensive.

 How does the firm arrange financing for its projects?	Builders with large projects may arrange financing with mortgage lenders to help customers buy homes.
 How does the company control its specialty contractors?	In active local markets, hiring and scheduling special contractors can be difficult and expensive.



Chief Information Officer - CIO

Improving Project Management

Residential construction projects consist of a sequence of planning and execution involving materials, workers, permits, inspections, financing, marketing, etc. Even small builders typically operate several projects at once. To control all the activities involved in multiple projects, builders use sophisticated project management software.

Implementing Project Communications

Because of the large number of individuals or companies that can be involved in a residential construction project, contractors may set up an internet-based communication network for a particular project. Such networks allow the selective sharing of blueprints, schedules, and other documents, and accept field reports of inspections, progress, and difficulties, from onsite wireless laptop computers.

 What efforts has the company made to improve its project management?	To control all of the activities involved in multiple projects, builders use sophisticated project management software.
 What project communication systems has the company implemented?	Some contractors have set up an internet-based communications network to allow selective sharing of documents.



Human Resources - HR

Hiring and Training Seasonal Workers

Because of the seasonal nature of real estate construction, even in warm weather states, many construction companies maintain a core of permanent employees and hire seasonal workers as needed. However, construction work has become less seasonal than it has been in the past because workers have been able to access information about job opportunities with more ease, and follow jobs around the country.

Improving Safety Training

Although the annual rate of injury in the industry is moderately higher than that for all US workers, construction injuries can be serious. In the construction sector overall, nearly 25% of construction injuries were falls, and falls are the top cause of construction worker fatalities.

 How successfully has the company hired and trained seasonal workers?	Many construction companies maintain a core of permanent employees and hire seasonal workers as needed.
 What types of safety training does the company offer?	Although the annual rate of injury in the industry is moderately higher than that for all US workers, construction injuries can be serious.



VP Sales/Marketing - Sales

Arranging Sales Agreements with Realtors

Small homebuilders typically negotiate sales agreements with local realtors to sell finished homes. The agreements are similar to those a private home seller might have, including a period of exclusive right to sell and a sales commission, but the commission is typically less than that paid to private sellers.

Planning Project Marketing Campaigns

For large projects, homebuilders very carefully specify the type of customers they're building for – based on local market research – and how to reach them with advertising and other marketing. Marketing typically begins well before all construction is complete. Builders may use their own commissioned sales force and furnished model homes.

 How extensively does the company arrange sales agreements with realtors?	Some companies negotiate sales agreements with Realtors to sell finished homes.
 How does the company plan project campaigns?	Marketing typically begins well before all construction is complete.

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Business Challenges

Highly Cyclical Demand

Demand for new residential buildings can change rapidly, depending on the economy and interest rates: from 1986 to 1991, annual US home construction dropped 40%; from 1995 to 2005, it increased 75%; and from 2006 to 2011, it fell 65%. As the economy has recovered in the US, demand for housing has strengthened and prices have increased. In local markets, changes in demand can be even more severe.

Risks of Speculative Projects

Because a large number of homes are built speculatively, builders bear the risk that changing market conditions will produce lower selling prices than they'd anticipated. In some markets, home prices can be highly cyclical. Even in markets where prices don't fall, builders may anticipate getting a higher price than they eventually receive.

Dependence on Local Economy

Despite national trends, demand for housing can be very volatile in local markets. Even in a large market, demand for new single-family homes can change by 60% in just two years; in smaller markets the change can be even greater. This demand volatility is due mainly to population shifts and factors in the economy such as unemployment.

Building Materials, Land Costs Vary

Builders often bear the risk of cost changes because of fixed-price contracts and speculative home construction. The price of lumber can change 30% within six months, and land availability and prices, the major cost of construction in some markets, can also change rapidly. Sometimes builders can pass higher labor and material prices to consumers; however, when prices rise quickly, some builders, especially smaller ones with less leverage, can get caught with the costs between the time they agree on a price for a project and the time they finish.

Dependence on Seasonal Labor

Because of the highly cyclical nature of demand in local markets, most homebuilders don't maintain a large permanent labor staff, and must hire new workers when demand increases. Local labor shortages are frequent, especially in rapidly growing communities. Many builders hire immigrant workers to fill the labor shortage. Builders that rely on immigrant labor may be impacted by regulations regarding employment of non-citizens.

Environmental Regulations Inhibit Development

In dense urban and suburban areas, builders are increasingly being forced to construct new homes on "marginal" lots that may abut wetlands, waters, or wildlife areas, conflicting with wildlife preservation and increasing construction costs. Environmental Protection Agency (EPA) and Endangered Species Act (ESA) regulations commonly require costly stormwater management systems and erosion control management.

Competition in Custom Building

Mass production-style builders are vying for the high-end business by advertising as custom builders. Traditional custom builders (mainly small companies that build fewer than 20 homes a year) have had to become more efficient with labor and materials, streamlining the design process to take the hassle out of building a custom home.

Excess Supply, Vacancy

Shifts in the supply of existing homes affect the quantity and types of homes builders construct. Slow housing markets, often the result of high interest rates, property price inflation, or tight credit, typically lead builders to cut construction to prevent holding unsold homes in inventory for extended periods. When a market is oversupplied with spec homes, builders may switch to custom or commercial construction until the market stabilizes. Builders that offer financing may be severely impacted by a mortgage collapse, suffering loss of revenue that can lead to bankruptcy.

Onsite Vandalizing

Damage by vandals and theft of construction equipment and supplies are costly for builders. High prices for construction materials, such as lumber, copper wire, and metals, as well as fuel, have led to increased theft from construction sites. Builders that buy additional supplies due to theft may pay higher replacement costs, cutting into profits. Some builders are protecting job sites by installing cameras and alarm systems, lighting them, building fences, scheduling just-in-time deliveries of supplies, or securing equipment and supplies in onsite containers.

Business Trends

Consolidation

National firms continue to grow through acquisitions, the easiest way to enter new markets and strengthen their positions in existing ones. Larger firms, which stockpiled cash and land during the downturn, are looking to expand especially as home values and buyer demand stabilizes. Large homebuilders enjoy economies of scale, with national purchasing power for materials and greater access to capital. Small homebuilders generally don't grow beyond the 30-home annual building level because of the intensely local nature of real estate.

Non-Homebuilding Services

Some large builders have branched into the related fields of modular and manufactured housing, construction materials, commercial construction, mortgages, and insurance. Some builders have established mortgage banking arms to provide financing for home buyers; typically, these operations originate mortgages, then sell them to other investors. During market downturns, major construction companies may pull back from some of their non-core business segments, such as home services, commercial construction operations, and sub-prime lending services.

High-Tech Homes

Builders are responding to consumer demand by building more new houses with advanced data and other communication capabilities installed. Younger consumers, raised on electronics and computers, expect structured wiring that supports smart home technologies such as learning thermostats and internet-enabled security and monitoring features.

Competition from Commercial Builders

More commercial builders are considering residential construction an extension of their regular business, although homebuilding requires different contractor skills and activities and often has different demand cycles than commercial construction. Homebuilding offers increased risks, but also offers higher margins than commercial work.

Green Construction Growing

Although a green home can cost more than a conventional house, some lenders offer mortgage incentives for energy-efficient homes. Green building innovations include more porous materials in walkways and patios to prevent erosion from rain runoff, engineered recycled lumber in building, and the conversion of wood or drywall construction waste onsite into landscape mulch. The US Green Building Council offers LEED (Leadership in Energy and Environmental Design) for Homes, a green home rating system, which has continued to evolve with technological advancements. Some states such as California have required new residential construction to have zero-net energy status, meaning that the homes produce enough renewable energy to meet their own annual energy consumption requirements. A report by Dodge Data & Analytics showed that nearly half of construction industry leaders surveyed expect to make more than 60% of their projects green by 2021.

Millennials Becoming Homeowners

Millennial home buyers, particularly those who have started families, are navigating toward more affordable residential areas that promise high job growth. Many are turning to suburbs to plant their roots. Suburbs are successfully attracting younger and first-time home buyers because these areas are typically 20% less expensive than the nearest major metro areas.

Industry Opportunities

Internet Marketing

An active online presence can dramatically improve traffic to builder sales centers, increase conversion rates, and improve customer satisfaction by enabling builders to stay connected with customers through the entire home ownership cycle. With internet and mobile application technology, potential buyers can visit a number of different developments, view the types of models available, and take virtual tours through model homes. The sites also enable buyers to apply for mortgages and insurance.

Special-Purpose Housing Developments

The changing demographics of the US population suggest that demand for second homes and retirement communities will increase. The large baby boom generation is now in its peak years of earning power and asset accumulation. Affluent families have the means to buy second homes for vacations, and these same families will be in the age range for retirement during the next decade.

Multifamily, For-Rent Apartments







High demand for apartments and condos has resulted in many traditionally single-family home builders also turning to multifamily construction. Many people are unable to afford to buy a home or can not qualify for a mortgage, creating stronger demand for rental properties. Builders such as Lennar and Toll Brothers, for example, are following the trend by breaking ground on apartment and condo communities. New single-family rental home communities are also gaining in popularity for home builders.

Need for Repairs and Retrofits







The inventory of homes in the US is aging. As a result, there is higher demand for major repairs and maintenance. More than 65% of US owner-occupied homes were built before 1990, according to the National Association of Home Builders (NAHB). These homes may be sold at lower prices, but will require extensive investments to update and repair them. Homebuilding slowed during the recession, creating a lack of new inventory. This also has created pent-up demand for new homes. Baby boomers are especially in the market to buy newer, low-maintenance homes and trade up from their aging homes. Homebuilders that specialize in new construction will benefit long-term as more people look to buy new homes in a market filled with old houses. Residential construction contractors also may win more contracts to remodel and refurbish older homes.

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Talking Points








 How does the company prepare for real estate cycles?	Demand for new residential buildings can change rapidly, depending on the economy and interest rates: from 1986 to 1991, annual US home construction dropped 40%; from 1995 to 2005, it increased 75%; and from 2006 to 2011, it fell 65%.
 How does the company protect itself from changes in home prices?	Because a large number of homes are built speculatively, builders bear the risk that changing market conditions will produce lower selling prices than they'd anticipated.
 How exposed is the company to downturns in local demand?	Despite national trends, demand for housing can be very volatile in local markets.
 What role has the internet played in the company's marketing strategy?	An active online presence can dramatically improve traffic to builder sales centers, increase conversion rates, and improve customer satisfaction by enabling builders to stay connected with customers through the entire home ownership cycle.
 What opportunities does the local market present for special-use projects, such as retirement communities?	The changing demographics of the US population suggest that demand for second homes and retirement communities will increase.
 To what extent does the company work on multifamily projects?	High demand for apartments and condos has resulted in many traditionally single-family home builders also turning to multifamily construction.

Operations, Products, and Facilities




 Is the company in the single family, townhouse, low-rise multifamily, or high-rise multifamily segment?	Most companies participate in just one segment, but some large contractors construct both single-family and multifamily buildings.
 What is the company's mix of speculative and pre-sold construction?	Speculative construction has higher risk but accounts for most construction.
 To what degree does the company provide custom construction and offer a selection of home plans?	Larger developments often allow customers to choose from a selection of models.
 How does the company acquire land?	Some builders buy raw land and develop it (streets, electricity, water, etc.), while others buy only pre-developed lots.
 How has the company increased or decreased its inventory of land and construction in progress?	During periods of strong demand, many builders increase financial exposure by buying more land for development.
 Where does the company get building materials?	Small builders buy from distributors. Large builders may buy directly from producers.

Customers, Marketing, Pricing, Competition

 Does the company do work for developers or does it develop its own properties?	Most construction firms own the properties they build on.
 In how many markets does the company operate?	Large companies may serve many markets, but most builders operate only locally.

 To what extent does the company use a sales force to sell homes?	Large companies have their own sales force, but small companies contract with real estate brokers.
 What type of home buyer does the company target?	Builders often study local demographics to appeal to a particular type of buyer.
 Within what price range does the company usually build homes?	Builders frequently specialize in a price segment.
 What is the typical period from construction completion to home sale?	For single family homes, the average is three to six months.
 To what degree has the builder requested unbundled pricing from its suppliers?	Analysts say homebuilding seems to be headed toward an unbundled pricing system, where builders buy materials, delivery, installation, and warranty services separately.
 How has industry consolidation affected the company?	In the coming year, the ten largest homebuilders may account for half of all new home sales, according to Builder Magazine.
 What percentage of sales is generated from the company's website?	Builder websites have become a major marketing tool, since a growing number of home buyers are using the internet to research builders and new home communities before visiting showrooms and models.



Regulations, R&D, Imports and Exports


 What research does the company do to improve products, such as floor plans?	Some builders survey previous customers to uncover problems and strengths of floor plans and amenities to determine how to alter or upgrade their offerings.
 What difficulties does the company have in staying up-to-date on new building regulations and standards?	Companies that build in multiple markets or outside the US are especially susceptible to legal risks and repair costs if their structures don't meet codes or standards.
 What opportunities does the company see in meeting LEED for Homes standards?	LEED for Homes is a green home rating system for assuring that homes are designed and built to be energy- and resource-efficient and healthy for occupants.

Organization and Management






 How much work does the company subcontract?	Some homebuilders do their own framing and carpentry but hire subcontractors for the rest; others subcontract the entire house.
 Does management have experience getting permits and inspections in different localities?	Experience is essential when getting required permits and inspections from local governments, as permits are affected by zoning, community desires, and environmental issues, which may vary from region to region.
 How has the company attracted and retained skilled labor?	Many builders have a staff of core employees and hire extra labor based on project need.
 How has the company met the increasing need for more workers with technological knowledge?	Homebuilders need more workers with knowledge and training in technology, as high-tech tools are becoming common at construction sites and offices.

Financial Analysis

 How seasonal are company revenue and cash flow?	In some parts of the country, the real estate market is seasonal, with most sales in the summer.
	Large homebuilders often hold substantial inventories of land and

 On average, how much and what inventory does the company maintain?	unfinished housing, equal to 40% to 100% of annual sales.
 How long does the company typically hold land before building on it?	It might be several years, during which home prices can fall.
 How much exposure does the company have to a downturn in demand?	Strong demand can tempt companies to leverage themselves more than usual.
 How does the company protect itself against changes in raw material prices?	Lumber prices can change substantially in six months.
 How does the company finance inventory and construction?	Builders often count on bank construction loans to finance projects.
 To what degree does the company provide financing for customers?	Some large builders have mortgage subsidiaries. Many builders have arrangements with third-party lenders.
 What measures has the company taken to prevent mold lawsuits?	The number of large mold-related lawsuits against builders and their insurers is rising, increasing builders' financial risk.

Business and Technology Strategies

 What additional markets does the company plan to expand into?	As economic circumstances change, housing demand is greater in some markets than in others.
 To what degree does the company use the internet to market homes?	The Internet is extensively used by builders to show floor plans, views, and walk-throughs.
 How can the builder protect against construction defect lawsuits?	To address construction concerns, some builders try to minimize disputes, including improving quality control, preparing homeowner manuals that give tips on dispute resolution, and providing better customer service.
 How does the company use computer systems to create home designs and/or manage spending?	Larger builders lower costs by using computer systems to create economical home designs, estimate costs, and manage construction spending and inventory.
 How effectively does the company use IT and systems to manage business functions?	Technology may be used to streamline communication and manage customers, inventory, subcontractors, marketing, and administrative functions.

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Company Benchmark Trends

Quick Ratio by Company Size

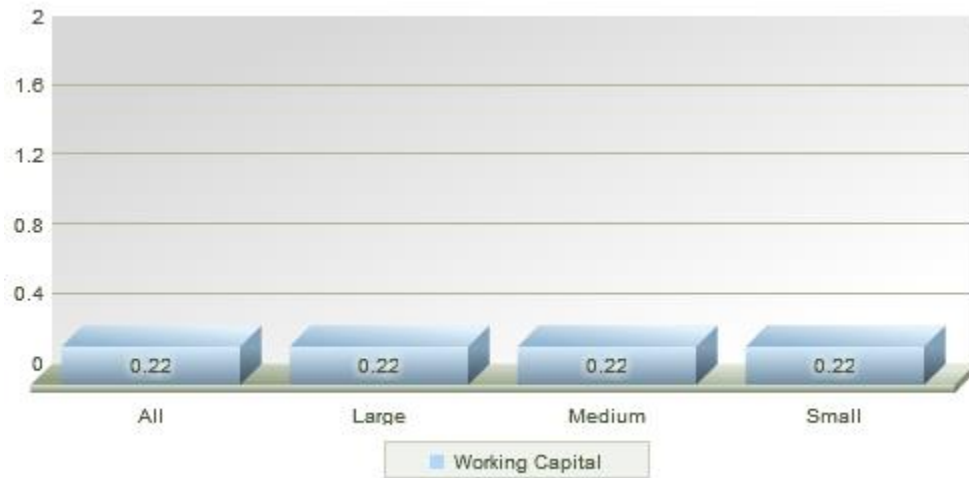
The quick ratio, also known as the acid test ratio, measures a company's ability to meet short-term obligations with liquid assets. The higher the ratio, the better; a number below 1 signals financial distress. Use the quick ratio to determine if companies in an industry are typically able to pay off their current liabilities.



Financial industry data provided by MicroBilt Corporation collected from 32 different data sources and represents financial performance of over 4.5 million privately held businesses and detailed industry financial benchmarks of companies in over 900 industries (SIC and NAICS). More data available at www.microbilt.com.

Working Capital Turnover by Company Size

The working capital turnover ratio, also known as working capital to sales, is a measure of how efficiently a company uses its capital to generate sales. Companies should be compared to others in their industry.



Financial industry data provided by MicroBilt Corporation collected from 32 different data sources and represents financial performance of over 4.5 million privately held businesses and detailed industry financial benchmarks of companies in over 900 industries (SIC and NAICS). More data available at www.microbilt.com.

Current Liabilities to Net Worth by Company Size

The ratio of current liabilities to net worth, also called current liabilities to equity, indicates the amount due creditors within a year as a percentage of stockholders' equity in a company. A high ratio (above 80 percent) can indicate trouble.



Financial industry data provided by MicroBilt Corporation collected from 32 different data sources and represents financial performance of over 4.5 million privately held businesses and detailed industry financial benchmarks of companies in over 900 industries (SIC and NAICS). More data available at www.microbilt.com.

Company Benchmark Information

NAICS: 2361

Data Period: 2018	Last Update February 2020			
Table Data Format	Mean			
Company Size	All	Large	Medium	Small
Size by Revenue		Over \$50M	\$5M - \$50M	Under \$5M
Company Count	164734	226	3983	160525
Income Statement				
Net Sales	100%	100%	100%	100%
Gross Margin	13.6%	11.7%	13.2%	14.9%
Officer Compensation	2.2%	1.6%	1.9%	2.7%
Advertising & Sales	0.3%	0.2%	0.3%	0.3%
Other Operating Expenses	9.3%	8.0%	8.8%	10.2%
Operating Expenses	11.7%	9.8%	11.0%	13.2%
Operating Income	1.9%	1.9%	2.2%	1.7%
Net Income	1.1%	1.1%	1.3%	1.0%
Balance Sheet				
Cash	11.8%	13.0%	9.7%	12.5%
Accounts Receivable	16.0%	19.0%	12.5%	16.4%
Inventory	30.0%	26.4%	35.7%	28.6%
Total Current Assets	72.2%	72.8%	71.9%	72.1%
Property, Plant & Equipment	13.7%	13.3%	14.2%	13.6%
Other Non-Current Assets	14.1%	14.0%	13.9%	14.3%
Total Assets	100.0%	100.0%	100.0%	100.0%
Accounts Payable	11.8%	13.1%	9.8%	12.3%
Total Current Liabilities	35.4%	35.9%	35.3%	35.1%
Total Long Term Liabilities	19.3%	15.9%	19.9%	21.0%
Net Worth	45.4%	48.2%	44.8%	44.0%
Financial Ratios				
Quick Ratio	0.79	0.90	0.63	0.83
Current Ratio	2.04	2.03	2.04	2.06
Current Liabilities to Net Worth	77.9%	74.4%	78.8%	79.8%
Current Liabilities to Inventory	x1.18	x1.36	x0.99	x1.22
Total Debt to Net Worth	x1.21	x1.07	x1.23	x1.27
Fixed Assets to Net Worth	x0.30	x0.27	x0.32	x0.31
Days Accounts Receivable	33	40	27	33
Inventory Turnover	x5.05	x5.73	x4.10	x5.42
Total Assets to Sales	58.6%	60.1%	61.0%	56.3%
Working Capital to Sales	21.6%	22.2%	22.3%	20.9%
Accounts Payable to Sales	6.8%	7.7%	5.9%	6.8%
Pre-Tax Return on Sales	1.8%	1.7%	2.1%	1.6%
Pre-Tax Return on Assets	3.0%	2.9%	3.5%	2.8%
Pre-Tax Return on Net Worth	6.6%	6.0%	7.8%	6.3%
Interest Coverage	x5.25	x6.17	x6.53	x4.24
EBITDA to Sales	2.5%	2.5%	2.8%	2.3%
Capital Expenditures to	1.1%	1.1%	1.1%	1.0%

Sales

Financial industry data provided by MicroBilt Corporation collected from 32 different data sources and represents financial performance of over 4.5 million privately held businesses and detailed industry financial benchmarks of companies in over 900 industries (SIC and NAICS). More data available at www.microbilt.com.

Economic Statistics And Information

Annual Construction Put into Place - Census Bureau



Valuation Multiples

Residential Construction Contractors

Acquisition multiples below are calculated medians using at least 3 US private industry transactions completed between 1/2008 and 12/2019 and are based on middle-market transactions where the market value of invested capital (the selling price) was less than \$1B. Data updated annually. Last updated: December 2019.

Valuation Multiple	MVIC/Net Sales	MVIC/Gross Profit	MVIC/EBIT	MVIC/EBITDA
Median Value	0.3	0.7	2.1	0.6

MVIC (Market Value of Invested Capital) = Also known as the selling price, the MVIC is the total consideration paid to the seller and includes any cash, notes and/or securities that were used as a form of payment plus any interest-bearing liabilities assumed by the buyer.

Net Sales = Annual Gross Sales, net of returns and discounts allowed, if any.

Gross Profit = Net Sales - Cost of Goods Sold

EBIT = Operating Profit

EBITDA = Operating Profit + Noncash Charges



SOURCE: DealStats (formerly Pratt's Stats), 2019 (Portland, OR: Business Valuation Resources, LLC). Used with permission. DealStats is available at <https://www.bvresources.com/learn/dealstats>

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Industry Websites & Acronyms

Residential Construction Contractors

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Industry Websites

[Associated Builders and Contractors \(ABC\)](#)
[Builder Online](#)
[Canadian Construction Association](#)
[Construction Financial Management Association \(CFMA\)](#)
[Dodge Data & Analytics](#)
[National Association of Home Builders](#)
[National Association of Realtors](#)
[World Property Journal - Residential](#)

Glossary of Acronyms

AGCA	Associated General Contractors of America
BCI	Building Cost Index
CCI	Construction Cost Index
EIA	Environmental Impact Assessment
EIS	Environmental Impact Statement
ENR	Engineering News-Record
ESA	Endangered Species Act
LEED	Leadership in Energy and Environmental Design
NAHB	National Association of Home Builders
PPI	Producer Price Index
UAV	unmanned aerial vehicle
USGBC	US Green Building Council

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Industry Codes

Residential Construction Contractors

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Associated Industry Codes

NAICS 2017 Codes

2361 Residential Building Construction

SIC Codes

1521 Single-family housing construction

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