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Robinson's "On Line Newsletter" For Our Customers & Friends

Construction Industry Thoughts for 2019

Builders' Two Choices: Be Nervous or Take Action

*Amid mixed signals, market opportunity may limit
itself to the nimblest.*



By John McManus

On Monday morning, February 9th, a week and a day after this year's Super Bowl, 2019's new home buying season will probably have clarified two big unknowables.

- One is buyer momentum.
- The other, builder strategic planning and tactical action.

That Monday morning moment--a mere week ahead of the next International Builders Show--will go far to telling many of us what to expect of 2019's Spring home selling season, and whether the market will go down or up for the foreseeable future.

One unknowable is an external factor that might make a home builder nervous. Momentum, after all, is hardwired to consumer confidence, and consumer sentiment, after all is hardwired to changes, which until the past few weeks or so, have negatively impacted monthly payments thanks to rising mortgage rates.

So, after Super Bowl LIII is said and done in Atlanta the first weekend in February, clarity may surface on whether or not the fuel of demographic, household, and job formation demand can be rekindled into a recovering market.

Home building's other major question mark hovers over builders themselves.

Are they ready for what's coming, whatever may come?

Are they prepared to seize on the challenges of the past six months--namely, that rising costs piled fast and high underneath new unit asking prices, and interest rate increases only served to add notes of

doubt to already pervasive sentiments of uncertainty--and use others' challenges to their competitive and business advantage?

Is where they are as businesses in a stronger position to deal with the onset of new challenges or a weaker one?

Given that no abundantly clear dislocation in global liquidity has pronounced itself, we're of the belief that those whose strategy, tactics, and capital structure allow them to produce and market homes and communities for more people who've recently gained a handhold on economic mobility will be winners.

At the expense of others.

Many are nervous about this number, 4.31%, and where it goes next. However, what builders should rather focus on, and act on is this one: 3.85.

In millions, that is the number of babies born in 2017, and in material respects, ultimately that number--and the trend it is a part of--will loom larger as a business success determinant than mortgage interest rates and their impact on monthly payments.

For it will impact the way people want to live in homes, which impacts the size, design, functionality, density, and price spectrum of the homes builders should develop and build.

Here's a piece, from advisor Lisa Lai in the Harvard Business Review *[pay-gate only]* "Managing When the Future Is Unclear." Here's a snippet from the article you may relate to, and certainly should heed. *The best managers find ways to provide steady, realistic direction and to lead with excellence, even when the strategy isn't clear. Push your leaders for clarity, yes. In the meantime, be productive. There are three things you can do today that will put you in a better position to manage strategic ambiguity: Take pragmatic action, cultivate emotional steadiness, and tap into others' expertise.*

Take Pragmatic Action

I'm a proponent of practical approaches to dealing with uncertainty. Doing something, anything, in support of your company's success makes you and your team feel better than doing nothing.

- *Get back to basics.*
- *Place intelligent bets.*
- *Operate in sprints*

Cultivate Emotional Steadiness

Strategic ambiguity pushes you out of your comfort zone. When there's clear, unwavering direction, you can focus on defined targets and deliver results. When strategies shift, or are hinting toward a shift, it's normal to feel unsettled, and you'll see this in your team too. Here are three steps you can take to help yourself and your team navigate the emotions of strategic ambiguity.

- *Be proactive.*
- *Acknowledge and navigate emotions.*
- *Keep team communication open.*

Tap into Others' Expertise

Leading through periods of uncertainty and change can be isolating for managers. Remind yourself that you are not alone. You have a network of people who have likely faced similar challenges and you can tap into their experiences. Here are three ways you can tap into the expertise of others for support.

- *Imagine your most respected leader's approach.*
- *Engage other managers.*
- *Embrace the wisdom of thought leaders.*

The things that worry us most right now, the odds are quite strong, will not rank as the biggest sources of anxiety three or six months from now. Things that we are not fretting about may be. Now is a moment for action, not hesitation.

Thank You for Your Business. We Do Very Much Appreciate the Relationship.