

Builder/Architect Interviews

David Hall, President of Deltec Homes

56th in a Series

By Bob Kays, Sr. Consultant

B/A: Business conditions were dramatically different in 2006, Dave, when we featured Deltec Homes as the cover story in the November/December issue. In reviewing that issue, positive editorial comments included: “WNC is celebrating another banner home building year,” “Times are good!” and other upbeat observations. But that was then — this is now. Please walk us through Deltec’s progress, challenges and changes in the past 36 months, from ’07 through ’09.

DH: Well, Bob, it’s no secret that today housing starts are down nationally roughly 80% from the heyday of 2005/2006. The NAHB has been keeping data for 63 years and starts, or permits, were at an all-time high in October of 2005 with a SAAR of 2,024,000. In 2008, 550,000 permits were issued, and the reality is that in 2009, I’d be surprised if 400,000 permits are issued. Some of our strongest markets, like Florida and California, were the hardest hit. I wish I could say we have been completely insulated from this downturn, but the fact that we have a very niche product has been beneficial during these times. Our incubation time for clients while they go through the design and engineering phase of their projects also provides good long-term visibility for workflow and material planning purposes. In other words, we are shipping homes now that were sold last summer or fall, so we have good visibility of the months ahead. In most

cases, we can quickly modify our marketing strategies to place business in the time periods we need it. Our business is off from the record levels of ’06 and ’07, but we are still shipping homes all over the world every day.

The silver lining here is that this year, 400,000 homes are still going to be built in the U.S.; 400,000 able families and individuals are deciding not to let the economy get in the way of their plans to build their home. One way or another, our path to market is reaching a lot of these folks and we are convincing them of our value proposition. Our global relationship with Logangate Homes in Youngstown, OH — soon to be right here in our facility in Asheville, NC — has enabled us to provide those clients that might not see themselves in one of our round homes with more mainstream offerings.

We are also finding that more and more people truly value all of the resources that Deltec can bring to bear on their project. When clients choose to allow us to build their home, they have access to a very well-trained and capable staff. Our engineering and drafting department is led by a very talented professional engineer. Ben Poss earned his master’s degree in structural engineering by studying coastal structures and the forces that hurricanes put those structures through. Ben is a perfect fit for Deltec and our clients. Also, our sustainable technologies department is headed up by Steve Linton, a LEED AP and a BPI certified professional that graduated

with an engineering degree from Cornell University and worked in Boston, MA, before moving to Asheville. Steve cut his teeth in the construction industry by leading historic renovation projects there with a sustainable theme. These are just two of the many people I could spotlight in a dedicated team that understands each and every home we build is not just a house, but a home where families are raised, celebrations held and holidays celebrated. We are dedicated to making every home we build safe and secure for the families that live there.

Locally, DelKote has expanded its operations to offer Demilec spray foam insulation in addition to prestained siding and BluWood. This was a good move for us not only because of the vitality of that industry in WNC, but also to continue our relationship with our local Deltec and Logangate clients.

In 2007, we began panelizing product for a few local builders. Last year that number grew, and this year we have opened our doors to welcome the local building community with a level of products and services that are unparalleled in our industry. Deltec Homes is known worldwide for the quality and craftsmanship of our components. Now that same quality and craftsmanship is available locally no matter the shape of the finished home. Our full-service engineering, design, drafting and green building professionals are excited to be more involved in the community we call home.



B/A: Deltec is global in scope, with worldwide customers. How have economic conditions impacted your company's international markets?

DH: This is truly a global recession but we are seeing some bright spots. The Caribbean remains viable, as well as locations in Europe, Canada and Australia. The weakening dollar is helping us somewhat in Europe. In April we sent a representative to the Trade Winds Europe conference, sponsored in part by the U.S. Department of Commerce, in Warsaw, Poland. This was attended by more than 80 U.S. companies to expand or establish trade partners in Europe. Through that effort, Deltec is now close to formalizing distributorships in Poland, as well as Portugal. This type of exposure, to well-screened people in the building industry, should prove invaluable in expanding international opportunities.

Foreign markets, such as Europe, seem ahead of the curve in focusing attention on green solutions and energy-efficient construction, so Deltec can certainly come to the forefront of sustainable solutions for these areas. We've also seen steady interest from Caribbean homeowners and builder/developers, which may reflect the demographic melting pot of those "able to build" in the islands.

B/A: As a manufacturing concern, Deltec has a multitude of departments within its corporate framework — administration/operations, production, engineering, design, quality control, sales and marketing, etc. What adjustments have you made in these departments in order to adapt to the recession?

DH: All of these departments have been affected as a relationship to overall workload. Sales and marketing have been affected the least due to the fact that nothing happens until a sale is made. We continue to make certain our training programs are as robust as ever. We also continue our aggressive lean manufacturing practices and preventative maintenance and equipment replacement programs.

B/A: In the November/December 2006 issue of *Builder/Architect*, you mentioned that Deltec had 85 full-time employees — and that Deltec

"has grown like crazy with revenue up 400% in the past 10 years, and has doubled since 2003." Would you please share your employment numbers and projections for the future?

DH: Right now, Deltec has 63 employees. Hopefully we will be adding four to five new employees this year as our production increases by bringing in Logangate and improving market share both locally and nationally. We are still way ahead of 2003 numbers and our five-year plan reflects revenues approaching 2006-2007 numbers sooner rather than later.



B/A: Deltec recently sponsored an open house in Mars Hill. How did it go? Tell our readers more about Deltec's green building advantages.

DH: We couldn't have been more pleased with the open house at our new model. The turnout was beyond our wildest expectations, with the field in front of the model overflowing most of the day Sunday with the cars of excited guests from all over the southeast. Sunday was a time for us to really show off the new model and all of its features and benefits. Monday was the official ribbon-cutting and guests included local dignitaries and a representative from Congressman Schuler's office.

More than anything else, our green building efforts focus on simply building the house *the right way, the first time*. The most important thing we can do is to provide a house that lasts longer, and uses less energy. We do this through a dedicated green building department and a holistic design approach, considering all the systems in the home to

provide our customers with a home that is sustainable in every aspect. Deltec builds everything using 100% renewable energy, and our comprehensive reuse and recycling program allows us to produce 78% less waste than a conventional home. Deltec's unique green advantage is the extreme energy efficiency of the circular design: It takes less surface area to enclose a circular home than a standard home. The less area on the exterior of the home, the less heat that can be lost or gained. The aerodynamics of the home that help it withstand high winds also translates into fewer drafts and savings on energy bills year after year.

B/A: Does Deltec have any new and exciting innovations on the drawing board — perhaps ready to roll out when the economy starts to rebound?

DH: As a matter of fact, we do, but we aren't waiting on the economy to rebound. Perhaps the most exciting new offering we have right now is providing our clients, no matter where they are building, the option of letting us erect their Deltec Home package on their foundation. We have a very capable group of factory-trained experts that will work with our client's builder on site to get the home in the dry. Also, as an additional service locally, we are offering our clients the option of turn-key construction for their Deltec or Logangate home.

B/A: Speaking of economic conditions — do you have a prognosis?

DH: If you are asking about housing in general, I think the market will improve slightly in 2010 but I don't believe we will see a meaningful recovery until 2011. Even then, I feel it will be slow and steady, and that is good for the home building industry. I think we are at or near the bottom right now, but as existing inventory is being sold, the pipeline gets refilled. Foreclosures have risen by 15%, affecting 1.5 million homes in the first half of 2009, and experts don't expect that number to peak until mid 2010. Indicators are positive one month and turn negative the next. This leads me to believe we are bumping along the bottom of this market for now. This winter will be at least as challenging as the last. At the current rate of consumption,

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there is a 9.6-month supply of existing home inventory on the market, which is the lowest level this year.

B/A: Instead of “following the herd” by slashing marketing expenditures like some firms mistakenly do, Deltec Homes appears to be pushing ahead with its marketing strategy. What advertising medium seems to be working for you?

DH: Instead of slashing our budget, our goal was to become more efficient with every dollar we spend. Our potential customer pool is very diverse and broad, and to make matters more complex, they are scattered all over the world. To accomplish our goal, we had to slightly modify our approach and create and place ads with a highly focused message to a targeted group of potential customers.

So now, halfway through 2009, the best media working for Deltec Homes are the targeted efforts, whether it is in print, TV or online. We have precisely identified

our target market and developed specific messages and creative that resonates with them. For example, in print, we have placed these message-specific ads in publications that have a high concentration of our target market.

As a result, we are generating more qualified leads in higher numbers and at about half the cost as compared to our efforts in 2008.

B/A: Before we wrap this up, any final thoughts?

DH: I firmly believe that our future is what we choose to make it, no matter the economy. We can choose to sit on our hands and wait for the climate to improve, or we can recreate ourselves to service our prospects and clients at a new level. We have chosen the latter. We will continue to meet our clients at whatever level they require, never expecting them to fit in some mold or box that our business model dictates. Our commitment to world-class quality at a fair price with exceptional people is stronger than ever. ■