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## **Rising land prices push builders to development side**

New area of business offers more control of community look

*By JANEL SHOUN  
For Williamson A.M.*

When you deal in \$1 million homes, you don't want to have a lot of inventory lying around, says Adam Stern, a custom-home builder in Williamson County.

"My comfort zone is not having a lot of lots. I buy one, and when it sells, I buy another," the owner of Adam Stern Homes said.

But lately, with Williamson County land prices escalating so rapidly, he finds that if he waits too long to purchase another lot in an upper-end development, the price of the land may have gone up by \$30,000 to \$80,000 over the past few months, disrupting the business plan.

"It throws all your prices off," he said.

In fact, in a development like The Governors Club and LaurelBrooke, where an acre lot is usually listed for more than \$400,000, it's simply impossible to build a \$1.2 million home, his bread and butter, Stern says. With such land prices, he's forced to build a \$2 million home, and "there are a lot more buyers at \$1.2 million than there are at \$2 million," he said.

So Stern has decided to get into the development side of real estate for the first time by purchasing just under 30 acres of land with his brother and father, also homebuilders, and developing 20 to 22 half-acre and one-acre lots. The Stern family will be the exclusive builders for the community, which will feature those ever-popular \$1.2 million homes.

Stern is not the only custom-home builder to begin creating his own development. Kole Construction is developing 80 acres in Arrington into a community called Blackhawk; Joe Melz and partner Randy Chastain are developing Belle Vista, located off Henpeck Lane; and Santoro Custom Builders is developing Benevento in Spring Hill.

Grabbing up smaller swaths of land and developing it themselves provides not only a cheaper, consistent price for the land, but a long-term supply of lots and a steady income to pay administrative expenses, these builders say.

Chastain, president of Parkside Homes, has bought plenty of lots in tract developments to build custom homes and has developed his own communities as well over the years, he said. A combination of both is needed for a company that builds 100 homes a year or more, he says.

"If you build 30 homes a year, you are probably on your way to building 75 to 100 homes per year, and once you make that commitment, you need administration and office support and marketing. That demands a consistent and constant supply," he said.

Chastain is developing Belle Vista with Melz, owner of Deer Creek Construction, which will be the exclusive builder in the community. Melz is relishing the opportunity to define the character of an entire community with the European styles and Old World charm of his homes.

"It's hard to go in as a builder — one of three or four or five in a development — and get the personality you want out of the community. Here we have a blank canvas and we can make it the best we possibly can," he said.

He also noted that it is getting harder for custom builders to find usable lots.

In fact, as of Nov. 1 the Multiple Listing Service showed a total of 794 lots available, pending or closed since Jan. 1, 2005, with an average list price per acre of \$30,941.

That's 260 lots less than were sold in 2004. The average list price per acre last year was \$19,702.

The price change from 2004-05 is the biggest price jump in the 10 years available on the MLS history.

"I'm not blaming the developers. They are making a lot of money. It's good business on their part, but for a small guy like me, I've got to have somewhere to build," said Stern, who usually works on only about six homes at a time.

"At one point, I had two \$2 million spec homes unsold. I'm not comfortable doing that anymore. I want to do something a little smarter."

Jerry Kole is partnering with three other custom-home builders to fill out Blackhawk in Arrington. But he is also building homes in the development, which features \$1 million homes on two- to three-acre lots.

The sale of phase one lots to other builders is funding his plans to build his own custom homes in phase two of the development, he said.

He expects Blackhawk to keep him busy for the next couple of years.

Like Melz, he says that by developing his own community he has more control over the look and feel of the entire project.

"I'm trying to find builders who really have the same vision," he said. "A lot of builders think this can only happen in Brentwood. For me to come out to Arrington is a new idea, and builders have to share in that vision.

"That's the cornerstone of this development, a group of builders who really focus on the finer details of homebuilding," he said. •