

DECEMBER 1997

Professional Builder

1997 BUILDER OF THE YEAR

**Sarah Peck Works
On Building Better
Neighborhoods...62**

**Turning The Tide
On Defect Liability...32**

**Single-Family Value From \$124,990
In California...56**

**Annual Achievement Awards Honor
Nine Industry Leaders...69**

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Professional Builder's
1997 Builder Of The Year

SARAH PECK

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Rouse/Chamberlin's Mission:
**BUILD BETTER
NEIGHBORHOODS**

*CEO Sarah Peck guides Rouse/Chamberlin
to profitability by developing communities
that bring neighbors closer together.*

By Susan Bady, Senior Editor

For Sarah Peck, president and CEO of Rouse/Chamberlin Homes in Exton, Pa., there's no greater thrill than seeing a neighborhood come to life. She doesn't just want to build great houses—she's looking at the big picture.

"If you have a conscience as a builder, and you realize you're permanently changing the landscape, you have to consider other things besides profit margins," Peck says. "The long-term appearance and impact of our communities is as much a concern for us as it is for the customer."

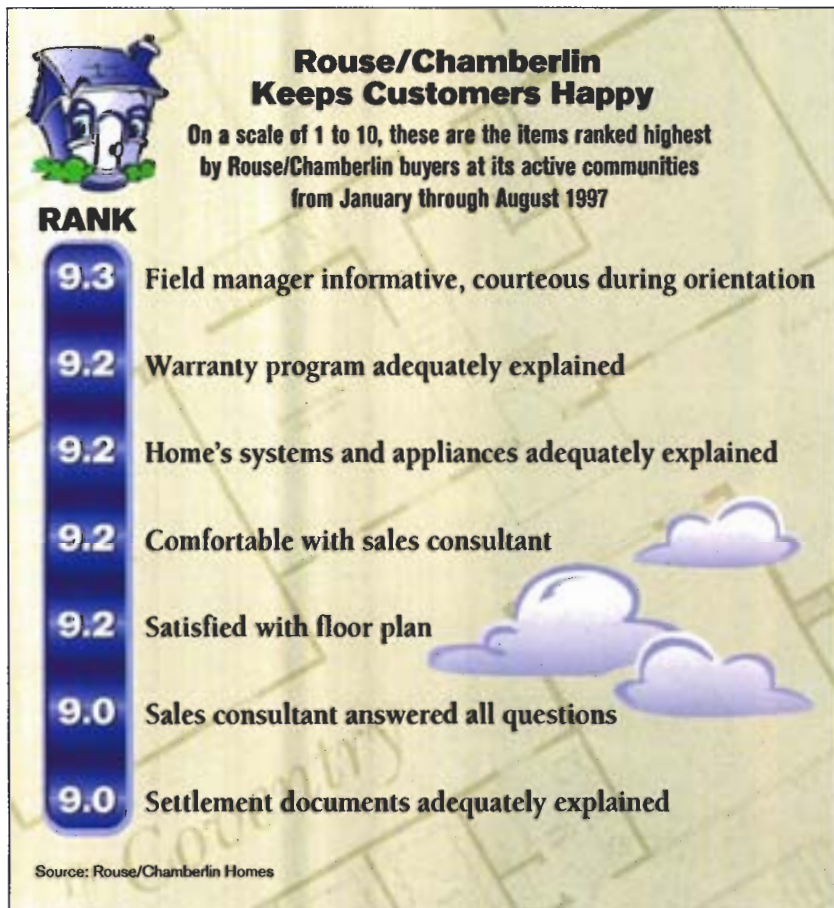
Professional Builder names Peck the 1997 Builder of the Year because of her commitment to neighborhood development and affordable housing. She has demonstrated how a small builder can get results by applying techniques used by large builders, such as total quality management and sophisticated computer systems.



Staff includes (above, from left): Jeff Haas, project manager; Roland D'Alterio, construction manager; Charlene Csinicsek, marketing consultant; and Mike Honan, project manager.



Professional Builder's 1997 Builder Of The Year



Bennington model at Whitehorse is 3916 square feet and base priced at \$538,900. All windows shown in the model are standard, including the Palladian window in the kitchen.



In all its communities, Rouse/Chamberlin strives for sensitive land planning that makes nature part of the setting and adapts elements of neotraditional design, such as narrower, curved streets and sidewalks and houses that are pulled closer to the curb. Meeting places such as gazebos and playgrounds are incorporated, and front porches are offered with every plan to encourage interaction between neighbors.

At press time, the company projected 70 closings and \$23.8 million in revenues for 1997—small by the standards of its Giant competitors, which include Toll, Realen, Pulte and Ryan.

Rouse/Chamberlin has active communities in the four counties surrounding Philadelphia (Chester, Delaware, Montgomery and Bucks), but most are in Chester County, where the company name is best known. Product includes townhouses and detached entry-level, move-up and luxury housing from the \$170,000s to the mid-\$500,000s.

Since taking over the firm in 1986, Peck has carried forward the vision of Bill Rouse and Steve Chamberlin, who founded the company in 1978. Much like his uncle, the late James Rouse, Bill Rouse held a progressive, responsible outlook, developing highly regarded commercial properties in Philadelphia.

In the mid-1980s, Chamberlin left to work for a commercial developer on the West Coast. He tapped Peck, then a project manager at Toll Brothers, to run the home building company.

A graduate of Yale University and the London School of Economics, where she studied urban planning, Peck also has a background in commercial development and real estate market analysis.

"From Toll, I learned that details are everything," she says. "It's a count-the-nails business; there's no substitute for the fundamentals."

FOCUS ON AFFORDABILITY: One of the first communities built under Peck's leadership was The Seasons in Chester County, consisting of 250 affordably priced, detached houses on 8000-square-foot lots. The site was originally zoned for attached housing.

"In the late 1980s, small-lot singles were a totally new concept in this market, and people were just stunned," Peck says. The Seasons was a home run, averaging five sales a month.

Rouse/Chamberlin followed up with a string of other successful projects in various price ranges. But the lack of affordable housing in Chester County has always been a particular concern of Peck's.

"Most builders around here don't realize the potential of affordable housing both from a social and economic standpoint," she says. "It is hard to find the zoning, but there's less risk, less com-

petition and more demand at the lower end. And percentage-wise, the profit margins are just as good.

"The important thing, however, is that we approach the affordable price points with the same quality and professionalism as we do the higher-priced product."

Peck's passion for affordable housing runs deeper than her day job. In 1988, she co-founded the Housing Partnership of Chester County, a nonprofit organization that provides counseling and downpayment and closing cost assistance to low- and moderate-income families, and builds and renovates housing.

She also is serving the first year of a four-year term as a director of the Federal Home Loan Bank (FHLB) of Pittsburgh, which gives away \$10 million a year in subsidies for affordable housing and provides low-interest community development loans.

THE MOUSE THAT ROARED: Howard Hirsch, Rouse/Chamberlin's controller, describes Peck as "the mouse that roared. She doesn't let anything intimidate her." She's not afraid to compete with the Giants, and this is where her blend of big-builder professionalism and small-builder customer mentality really shines.

Although "fun" is not a word most people would apply to buying a home, Rouse/Chamberlin is committed to turning what is inherently a stressful, emotional process into an enjoyable one.

Every buyer gets Carol Smith's book, "Building Your Home," a 10-minute video explaining the post-settlement orientation, and a comprehensive homeowner's manual. Continuing education is provided in the form of seminars on lawn care and other topics.

Rather than a centralized customer-service operation, each community has a dedicated construction coordinator who visits homeowners a week after settlement to review the manual and warranty procedures. The construction coordinator also schedules all service work.

The builder stays in close contact with customers, conducting surveys (through a third party) two weeks and four months after move-in. Buyers are asked to rate various elements such as



Other staff members are (from left): Linda Langdon, office manager; Howard Hirsch, controller; Gloria Sousae, director of sales; and David England, vice president.

'It's our job to deliver the neighbors, so we get to know them first before we go to the townships.'

construction quality and knowledgeability of salespeople (see chart, p. 64).

Scores are combined to derive an indicator of overall customer satisfaction. From January through August 1997, 98% of customers surveyed two weeks after move-in said they would recommend the company to another buyer.

A more telling benchmark, however, is the referral rate, which Peck says is 18%, up from 10% in 1996. (The norm for Philadelphia-area home builders is 7% to 8%.) The company's long-term goal is a referral rate of 30%.

Armed with valuable information about what its customers want, Rouse/Chamberlin translates the feedback into marketable designs. Existing plans are always being improved and new product development is an intensive process. Effort is made to create elevations that are classic rather than trendy.

Using a 13-page list of comparable features offered by competitors, Peck, Ed Hauck (who oversees purchasing and estimating) and marketing consultant Charlene Csinicsek draw up criteria for each new design before turning it over to an outside architect. Key trade contractors also give their input.

Rough plans are tweaked several times before they get to the working drawing stage, and usually modified even more along the way, according to Csinicsek. "Sarah never stops thinking," she says. "She has the ability to wring every last inch out of a design."



Sarah Peck discusses construction details with field manager Dave Sauter.

Professional Builder's 1997 Builder Of The Year

Affordable housing quality is the same as higher-priced product.

In all price ranges, the builder adds pizzazz to kitchens and family rooms with such features as islands, cathedral ceilings and designer windows. Back staircases, "switch back" stairs, bonus rooms, garage storage areas and built-in computer desks are other features that attract buyers.

FINANCIAL STABILITY: Peck's first order of business upon joining the company in 1986 was to strengthen it financially. She adopted the founders' "patient money" strategy, which has served the firm well through good times and bad, and she's led Rouse/Chamberlin through 11 consecutive years of profitability.

"We were lucky in terms of timing," Peck says. "It was the roaring '80s and we had good sales

and decent land in the pipeline. We were able to capitalize the company and build up not only our cash reserves but our equity. So, by the time the recession of the early '90s hit we were able to weather the storm. Instead of borrowing, we built with our own money and took a very conservative position."

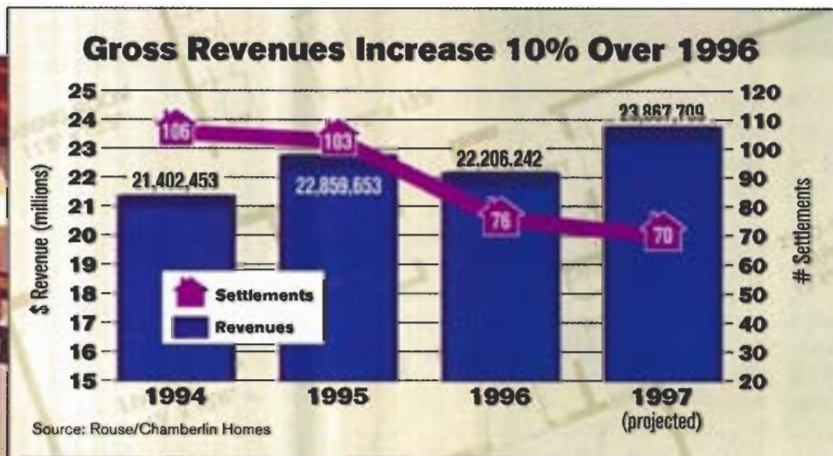
As of September 1997, Rouse/Chamberlin's debt-to-equity ratio was .89—extremely low for a home builder, according to Hirsch. The average debt-to-equity ratio for Philadelphia-area builders, as reported by the local HBA, is 3.25. The industry average nationwide is 2.92, according to the NAHB.

As the chart on p. 66 indicates, Rouse/Chamberlin has stayed on an even keel for the last four years. Projections for 1998 are 100 to 110 homes for revenues of \$27 to \$30 million. The long-term goal is controlled growth.

"Five years from now, I expect we'll be doing 150 houses a year and generating \$30 to \$35 million in revenues," Peck says. "That way, we can still maintain control over details and aesthetics and keep the same corporate structure."

With its strong track record, the builder has a singular ability to form relationships with neighbors and townships that smooth out the approval process—a real feat in a market with Quaker roots. Two years is considered lightning speed for approvals, while 3½ years is more the norm.

Peck feels it's the builder's job to deliver the neighbors, "so we meet with them first, get to know them on a first-name basis and



understand their concerns before we go to the townships. It's a strategic advantage over the big builders."

The company buys land on option rather than carry it outright, and keeps a running inventory of 300 lots (about three years' supply).

Peck stays on top of computer trends to ensure everyone in the company is using the most up-to-date technology. Field and corporate office personnel communicate via e-mail and alpha paging, which allows a field manager to receive a text message on a pager. Computers are used in the sales office to expedite prospect follow-up and in the construction trailer to keep crews on schedule.

Training is aggressive. About 50 programs were scheduled in 1997, in every area from construction to sales to customer service to computers. Seminars, retreats and training sessions are held every month. Field managers and salespeople periodically observe each other.

Peck says her own learning curve has taken an upswing since she joined a benchmark group of 10 noncompeting builders from around the country. The group meets quarterly, taking turns visiting each other's markets and walking product as well as having candid discussions about common issues.

She says her approach to home building has come into sharper focus since the birth of her sons, now aged 2 and 5.

"Number one, I understand our customers a lot better," Peck says. "I can relate to their hectic lives and need



The 2175-square-foot, \$165,900 Woodbine Select is a small-lot detached home that has been a top seller in the entry-level product line. Elliptical-head window over kitchen sink is a standard feature.

PHOTOGRAPHY BY ROBERT A. IKELER

for social support, and how homes are really lived in when you have a family."

Her attitude toward employees also has changed. Able to identify with the needs of working mothers, she increased maternity leave from six weeks to eight. "That extra two weeks makes all the difference in the world," she says.



Rouse/Chamberlin acts as the catalyst for social bonding between neighbors, sponsoring such events as summer barbecues, Christmas parties and Halloween parades (shown at left).

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