

INDUSTRY OUTLOOK

A closer look at challenges and trends in the residential real estate industry



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Standing: Steve Cahill, Paul Gldus, Nathan Cross, Phil Kean, Matt Trask, Wyatt Anderson and Ben Shoemaker
Seated: Jim Liefeman, Steve Orosz, Jerome Henin, Victor Farina, Matt Orosz, Vishaal Gupta and Alex Hannigan

3 things homebuilders say will shift industry's foundation

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A millennial typically doesn't keep track of when the home's A/C filter needs to be changed – he would just expect to get an email or text alert when it's time.

So said Nathan Cross, president of Kissimmee-based NWC Construction Inc., one of 14 top local executives at *Orlando Business Journal's* second annual Residential Real Estate Industry Outlook.

Cross and the other leaders agreed that the industry needs to evolve to adjust to changing needs from buyers. And three

main factors are poised to change how things are done in Orlando's residential real estate world: millennials, smart home technology and tourism.

Millennials are the next big demographic homebuilders are looking at as their buyers. This generation isn't always looking for the two-story house with a big yard in a gated suburban community, because they either want a more dynamic, urban environment or they don't want to be tied down to one location because of job opportunities.

Add to that their wariness of leaving home and testing out the credit markets after seeing what their parents went through during the Great Recession, plus

they're bogged down with student loans.

"This was one of the most horrific recessions we've ever lived through," said Alex Hannigan, president of Orlando-based custom homebuilder Hannigan Homes Inc. "That's a big deal psychologically because they saw mom and dad struggle, which they've never seen before. Most of us spoiled our kids, and that changed dramatically during the recession."

But millennials are expected to account for 90 million, or 65 percent, of first-time home buyer sales nationwide in 2015, according to Realtor.com's 2015 Housing Forecast. Younger folks who are renters in downtown areas and other urban developments also may be driven

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to buy a home this year because of rising rents, Zillow.com reported.

And that means builders have to look at ways of capturing that segment of potential buyers by offering something that's appealing – within their price range.

"The American dream of buying a house is not safe for that generation because of credit problems, so it's not happening," said Jerome Henin, president of Winter Park-based Henin Homes Inc. "The future for us is urban development – some townhouses and condos – things that went through a difficult time but are not so negative now."

Technology also plays heavily into millennials' wish-list – something that has trickled into other demographics as well, prompting builders to make several tech-savvy features standard in homes today. See more on this on Page 6.

Meanwhile, Orlando's strong tourism industry has prompted more firms to venture into building vacation homes. Custom homebuilders and some production builders had been doing vacation-home properties in the area, but many more – like Park Square Homes, Mattamy Homes and others – are putting more resources into this area. The reason: Families flocking to Orlando from places like South America, Asia, Europe and Canada are looking for a different type of accommodation.

Vacation homes offer several bedrooms and bathrooms, full kitchens, living areas and private amenities that are perfect for a long holiday.

"People can spend \$600 a day at Disney for a [hotel] room or they can spend \$2,000 a week [to rent a vacation home] and have their own pool, a nice backyard and multiple bedrooms. It's a different animal altogether," said Hannigan.

Vacation home sales are typically all cash, and buyers then use management companies to rent their homes to travelers. It makes it a less challenging sale for homebuilders, since it typically doesn't involve a buyer having to get a mortgage.