

News + Numbers

INSIDE: How to Live in a Post-GSEs World + Pension Funds in Flux + New Jersey's Market Appeal

[STAT OF THE MONTH]

Niche Builders

With financing limited, multifamily developers often relied on third-party contractors in 2010.

IN THE MULTIFAMILY BUSINESS, if you're a third-party apartment builder, you generally make that your bread and butter. More than half of the companies on MULTIFAMILY EXECUTIVE'S Top 10 General Contractors list solely did third-party starts in 2010. One company did 92 percent of its starts for third-party customers. And everyone on the list started more than 68 percent of their units for third-party clients.

In many cases, the third-party contractors in the Top 10 had a niche that made them particularly valuable to developers. Without a lot of conventional financing available for market-rate development, developers looking to get projects off the ground needed to find a niche that still had legs from a construction and financing perspective. If they didn't have such expertise in-house, these developers could turn to general contractors to help them out.

For instance, Franklin, Tenn.-based Construction Enterprises (CEI), which placed sixth on the Top 10 GCs, with 1,202 third-party starts, had been doing projects with HUD Section 221(d)(4) for 30 years. That put the company in a good position to secure work when HUD was the only place developers could turn to get financing. In some cases, the lenders even dictated that developers go with CEI because of the firm's experience with HUD, according to Shelby Shafer, CEI's president.

"We got lucky that those [221(d)(4) projects] were our niche," Shafer says. "When everything went bad, those were available. So

TOP 10 GENERAL CONTRACTORS

2010 STARTS FOR THIRD PARTIES (AS A % OF TOTAL STARTS)

Rank	Company	City	Top Executive	2010 Starts	% of Total Starts
1	WESTERN NATIONAL GROUP	IRVINE, CA	Michael K. Hayde	2,250	100%
2	PINNACLE FAMILY OF COS.	DALLAS	Rick Graf	2,138	100%
3	MCSHANE CONSTRUCTION CO.	ROSEMONT, IL	Jeffrey A. Radaay	2,100	100%
4	CLARK BUILDERS GROUP	ARLINGTON, VA	Glenn Ferguson	1,961	72%
5	HARKINS BUILDERS	MARRIOTTSVILLE, MD	Richard Lombardo	1,828	100%
6	CONSTRUCTION ENTERPRISES	FRANKLIN, TN	Bill Landers	1,202	75%
7	SUMMIT CONTRACTING GROUP	JACKSONVILLE, FL	Marc Padgett	1,068	100%
8	THE BOZZUTO GROUP	GREENBELT, MD	Thomas S. Bozzuto	994	92%
9	AMBLING COS.	VALDOSTA, GA	Mike Godwin	920	69%
10	AMERICAN CAMPUS COMM.	AUSTIN, TX	Bill Bayless	810	100%

Source: 2011 Multifamily Executive Top 50 Builders Survey

we benefited from our experience."

Jacksonville, Fla.-based Summit Contracting Group (No. 7) also put its HUD experience to use in 2010 to start 1,068 third-party units. Company president Marc Padgett says 80 percent of his work in 2010 was HUD projects, but that's changing with the backlog in the 221(d)(4) program. "I think we'll go 50/50 conventional versus HUD in 2011," he says.

Arlington, Va.-based Clark Builders

Group (No. 4) was able to start 1,961 third-party units in 2010 because it was in the hot Washington, D.C., market and had a vibrant military housing platform. CEI, meanwhile, got a boost from student housing projects, which were able to get financing if they were well-located, according to Shafer. "Where there was a need, there seemed there was money for student housing to get put together," he says. —LES SHAVER