

**Friday, March 28, 2008**

**Downturn forces homebuilders to outsource sales**

**Washington Business Journal - by Melissa Castro Staff Reporter**

With the downturn in the housing market challenging builders to cut back on costs, some of their in-house salespeople are facing the same fate as manufacturing workers: pink slips and outsourcing.

Some smaller builders are turning to full-service sales and marketing companies like Alexandria-based McWilliams Ballard Inc. to handle land acquisition, sales and marketing, settlements and other activities.

However, larger builders are digging in their heels, preserving the in-house sales concept at all costs.

"On the sales side, you see builders re-balancing as [construction] jobs are going away, and you see a huge consolidation of offices," said Christopher Ballard, principal at McWilliams Ballard, whose 82 agents tower over the area's new-construction condominium market. "You're maybe seeing a builder's northern and southern regions combining and shedding 15 percent of its sales force."

That means more business for companies like Ballard's.

McWilliams Ballard has increased its market share slightly since 2005, when it listed 36 percent of all new condos, Ballard said. It now has nearly 40 percent of the new condo market.

Smaller outsourcing companies are also profiting from the builders' dry spell.

"It's making companies like mine a lot higher profile than they used to be," said Susan Songy, owner of Columbia, Md.-based sales company Builder's Advantage.

Songy's company has 25 clients, a 67 percent increase in her tally since the 2005 peak for new home sales, she said.

Despite McWilliams Ballard's market-share increase, the company's sales have plummeted since the condo market hit a high note in 2005.

Although McWilliams Ballard doubled its sales every year from 1996 to 2005, when the number peaked at \$2.13 billion, sales have been chopped in half since then.

There is a good reason: Throughout the region, 156 condo projects were canceled or converted to rental projects during the last seven quarters, according to William Rich, a vice president at real estate research company Delta Associates in Alexandria.

In the last quarter alone, McWilliams Ballard took over eight projects -- four from developers that had always used an in-house sales force and four from developers that needed more specialization than their general brokerages could offer, Ballard said.

That new business during this year's first quarter is five times the amount of new business McWilliams Ballard pulled in during the first quarter last year, Ballard said.

Larger builders, like Toll Bros. Inc. and Bozzuto Homes Inc., seem to be sticking with their traditional sales model, retaining in-house salespeople who are typically salaried. Horsham, Pa.-based Toll Bros.' agents also earn a commission on top of the base salary.

"Our goal is to keep the sales managers really focused on customer service and making happy customers," said Karen Krupsaw, vice president of sales and marketing for Bozzuto Homes in Greenbelt. "Now more than ever, with the market softening, that's the right direction to take."

With sales still declining, outsourcing companies may be seeing more business.

"If you don't have critical mass -- if you're not selling three or four houses a month -- it gets real expensive to keep that person in-house," said Jack Anderson, chief acquisition officer for McLean-based Rocky Gorge Development LLC.

E-mail: [mcastro@bizjournals.com](mailto:mcastro@bizjournals.com) Phone: 703/258-0836