



## Building Success 101

*Q: What is a "rough-in"?*

A: "Rough-in" is a construction term that refers to the infrastructure or "guts" of a particular system in a house. This can include the pipes for the plumbing fixtures or the ducts for the heating and cooling equipment. Some rough-ins may be left "capped" (or "stubbed") behind a finished wall or ceiling for the homeowner to add a product later, as the budget allows or as part of a planned expansion project.

## The Best Time to Build?

Whether it's saving two cents on a gallon of gas or building your dream home, everybody wants a bargain.

Everyone loves a deal. No one likes paying retail.

If you are considering building a new home, now or over the next year or two, you face a number of difficult questions...

- Can I do better if I wait to build my home?
- Will interest rates go lower?
- Have home values bottomed or will there be further declines?

On the surface, it may seem as though the housing market has yet to begin climbing out the hole it fell into nearly three years ago. But we see a number of key indicators that point to some compelling reasons why now may be the time to get the best value for your home building investment.

**Home Prices:** Like the stock market, it is impossible to pick the bottom of the current housing market. No one can say with certainty that we've hit the absolute bottom. Like any market, supply and demand impact price. The inventory of older homes continues to dwindle. According to the Census Bureau, the US will add over a million new households each year. The current supply of new homes coming on line is nowhere near that number. As the demand for new homes rise, so will prices.

**Interest Rates:** We've already seen mortgage and construction loan interest rates inch up in 2011. They are likely to maintain that trend as the overall economy and demand for new homes continues to improve.

If you determine that interest rates are likely to go up, acting now can save money. Every quarter-point change in interest rates is equivalent to approximately \$6,000 for each \$100,000 borrowed over the course of a 30-year fixed-rate mortgage.

**Materials and Labor Costs:** We are in the middle of a commodity boom. The global demand for raw materials from countries like China and other emerging markets continue to put upward pressure on commodity prices. As the price of raw materials goes up, so do housing costs.

In addition, those manufacturers, suppliers, and trade contractors who are still standing after the housing bust did so by streamlining their operations and honing their costs of doing business. They are running

very lean. In all likelihood, these companies will raise prices if there is an increase in demand for new housing.

**Streamlined Operations:** In order for our company to prosper during this difficult business cycle, we've had to sharpen our operations and systems, cut the fat out of our ledgers and operate on thin margins. As a result we are poised to meet our current demand with better processes, improved technology and lower overhead. Those efficiencies translate into lower costs for homebuyers willing to invest in a new-home project today.

If you can look past the headlines and scare tactics, you may realize that in these times, the best time to build a new home may be about to slip away.

Warm regards,

*Richard*

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