

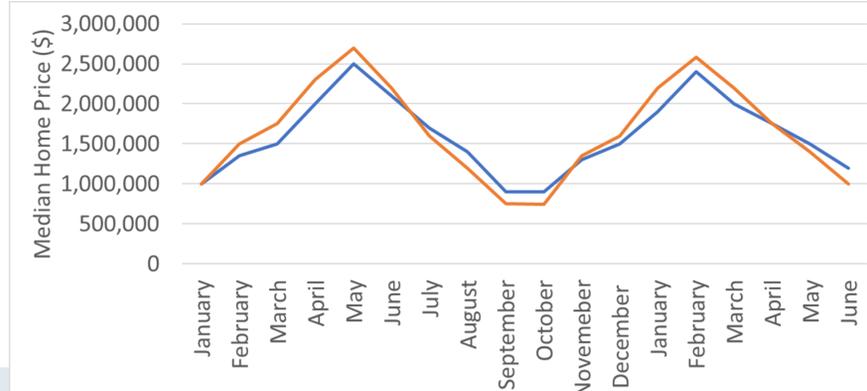
Methods Residential Construction Firms Have Taken in The Past to Survive a Recession and How to Apply Them Towards the Next One

Abstract:

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Results:

TAHITI PLAN



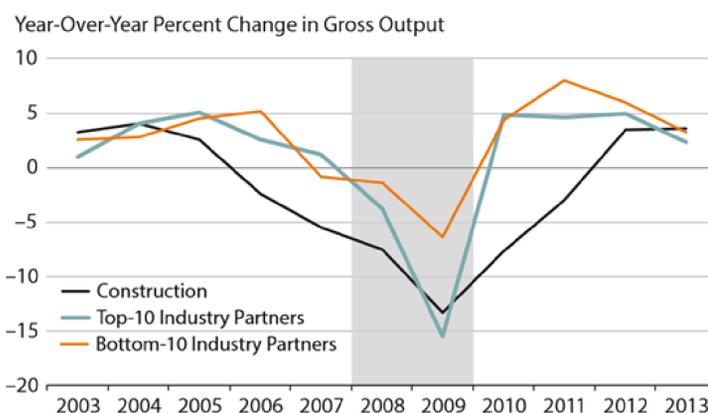
Orange = What a Firm Should Do Blue = Competition

- The above graph illustrates the “Tahiti Plan” created by Josh Lysen, Co-Founder of Merit Homes.
- The idea is to “BE AGGRESSIVE”
- When the market is doing great price HIGHER than the competition
- When the market is going down stay aggressive and price LOWER than competition
- The joke is to vacation in Tahiti during the downward spells of the market & comeback aggressive on top
- Residential Firms should also follow these principles when a recession is on the horizon:
 - Putting more \$\$ into their product
 - Protect the business’s credit & reputation
 - Push the types of projects that continue production
 - A successful team will take on more responsibilities

The relationship between the success of construction firms and the health of the U.S. economy has been a history of turbulence. Recessions continually setback the construction industry in terms of growth, production, layoff rates, profit, and cause a high number of firms to go out of business. No other sector in construction feels the painful effects more of a recession than the residential side. This research aimed to produce a playbook of steps a residential builder should take to come out of a recession successfully. In order to create this playbook residential professionals who have experienced recessions in the past and pulled their companies out of it with success were interviewed to learn about their experiences to find out what decisions worked and what to look out for when trying to save a company during a strong economic downturn. The resulting findings will be when a recession is beginning to appear a builder should put more money into their product, be sure to protect the business’s credit and reputation, stay aggressive with pricing against competitors and the market, push focus on projects that will keep production during the downturn, and have a team willing to be adaptable with their roles.

Key Words: Recession, Downturn, Residential, Experience, Success

Growth Rates of the Construction Industry and Its Most- and Least-Related Industry Partners



Graph above demonstrates the effects of '08 on the construction industry & its partners

- The following graph illustrates the relationship between the construction industry and economic downturns in our history
- Notice how the residential sector suffers the greatest losses of employment in EVERY single downturn depicted on the graph
- **GREY = Residential, Red = Nonresidential Sectors, Blue = Industry as a whole**



The Federal Reserve Bank of St. Louis created this graphic using data from the U.S. Bureau of Labor Statistics

Methodology:

- Residential professionals who have experienced recessions in their career & got their company successfully out of them were interviewed
- Their experiences were key in creating a playbook of how residential firms should perform in the wake of a recession

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