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Oregon-based Hayden Homes enjoys success despite building slump

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While the homebuilding industry has suffered its biggest slump in a half century, Oregon-based Hayden Homes enjoyed its best years ever in 2008 and 2009. And, on the last day of December, Hayden capped it off by buying a 101-lot subdivision in Springfield out of foreclosure for \$2.1 million. The 20-year-old company expects to submit a slew of building permit applications to begin filling the lots with houses before January is through.

All of which explains why Hayden Homes President Dennis Murphy and CEO Hayden Watson keep mum at gatherings of builders, where epic tales of woe have been the norm over the past couple of years.

“We keep quiet because they want to beat us up,” Murphy said.

In 2009, Hayden Homes sold more than 590 houses in 30 small and medium-sized towns in Oregon, Washington and Idaho, making last year the second-best year on record for the Redmond-based company.

The company’s best year came in 2008 with 602 houses sold — against the backdrop of an industry stalled by a credit freeze that’s yet to thaw, a housing price collapse that’s only beginning to rebuild, and the worst recession since the Great Depression.

Hayden Homes clip-clopped along on its Lane County projects throughout 2009, filing a handful of building permit applications every month and recording clusters of sales occasionally — six in February, seven in July, eight in November and nine in December.

Local homebuilding largely would have disappeared in recent years without Hayden Homes and also Eugene builder Bruce Wiechert, said Ed McMahon, executive vice

president of the Home Builders Association of Lane County.

“It’s pretty bleak,” he said.

Hayden Homes’ secret to success: Housing the masses. The company provides a couple of decent bedrooms and a bath for the people who “do most of the working and paying and living and dying in this community,” to quote George Bailey, a character in the 1946 film, “It’s a Wonderful Life.”

“When I watch that movie — I can’t say that I’m George Bailey — but I surely feel that a number of things that happen in that movie are very similar,” said Murphy, who oversees the company’s building operations. “I’ve seen our model change people’s lives. There’s just not a lot of people who do what we do.”

Murphy figures that Hayden Homes has housed more Lane County residents since the company began building here in 1994 than any single construction company — building upwards of 1,500 houses.

“We’ve done the most units,” he said. “Some of the guys who do a little higher-price (houses) than we do have gotten more revenue. But on a unit basis, I would say we are the largest.”

Local subdivisions include Shadow Glen in west Eugene, Mountain Terrace in north Eugene, Jasper Meadows in Springfield, Meadowview Park in west Eugene, Riverwalk in Cottage Grove and Applegate Landing in Veneta.

Hayden Homes takes pains to feed its projects with customers through first-time homebuyer seminars, through marrying potential customers with government homebuyer assistance programs, and through its own private homebuyer assistance programs. Four years ago, the company started a Hometown Heros program that gives down payment assistance to “teachers, firefighters and policemen, also anybody who has served our country,” Murphy said.

Two years ago, Hayden started its Money Match program to help potential homebuyers set up a down payment savings plan. The company then pledges to match the savings for participants and also to pay their closing costs.

One other program, Work to Own, allows participants to apply the value of their labor — painting or shovel work, for instance — to their down payment costs. Additionally, the company’s charitable arm, the Hayden Giving Fund, helps low-income families into houses, including a family in Cottage Grove this year and a family in Veneta in 2008.

Hayden Homes can cater to families of ordinary means because the company sticks within a price range — \$140,000 to \$250,000 — that average salaries in a given community can sustain, while many other builders followed the rapidly inflating housing prices up, up, up between 2004 and 2007.

“Even people who really couldn’t afford (higher-priced houses), the mortgage companies could somehow get them qualified. That was a huge disservice because you end up having to short sale or foreclose, and that’s never pleasant,” Murphy said.

“You drive through a majority of our neighborhoods here in the Northwest, it’s hard to find a foreclosure sign because most people’s payment is very similar to the rental of the house — that’s a \$750-a-month up to \$1,500-a-month mortgage,” he said.

Company principals, however, weren’t entirely immune to the mid-2000s real estate gold rush. CEO Hayden Watson bought into the 700-acre Tetherow destination resort development in Central Oregon, which faltered when sales stopped.

But Hayden Homes’ bread-and-butter building model allowed the company to cook along until February when Congress enacted the \$8,000 first-time homebuyer tax credit to stimulate house sales nationally.

The program proved very good for Hayden Homes. “That’s been a big part of our business in 2009,” Murphy said. “At least 50 percent of the customers who purchase our houses are going to be able to apply for it.”

While the supply of houses in the \$300,000, \$400,000 and \$500,000 price range exceeded the demand, the under \$200,000 homes were moving fast, McMahon said.

This meant Hayden Homes was well positioned, he said. “Market conditions were favorable to that price point.”

Hayden Homes has better control over its costs because, while other builders must buy lots from developers, the company buys its own land and creates its own subdivisions, McMahon said.

“It allows them to build a less expensive home,” he said. “Another reason they’ve been able to continue is because they’ve got the financial backing to do it. It’s probably their own money. Individual builders are still having a very hard time in going out and borrowing money to do anything.”

Murphy declined to disclose Hayden Homes’ annual revenue figures. The company has 55 workers internally and employs 30 salespeople externally.

Hayden Homes had sufficient financing to buy the foreclosed Westwind Estates subdivision in a year-end deal with LibertyBank.

When the former owner of the property, Brent Anderson, ran into financial difficulty in mid-2008, he was in the process of installing the underground utilities, streets and curbs on the 29-acre property.

Anderson had paid \$3.8 million for the property in 2006, county records show. He took out a \$5.4 million construction line of credit from LibertyBank in 2007. When he defaulted in 2008, he owed \$5.2 million, court records show. LibertyBank claimed the

property in a sheriff's foreclosure sale in 2009 for \$3.4 million. A Hayden Homes-related limited liability company paid \$2.1 million for the property on Dec. 31, county land records show.

Anderson declined to comment.

LibertyBank officials were glad Hayden Homes agreed to buy the property. "It's good news. The plat's finalized," said John Revell, vice president in charge of construction lending.

Hayden Homes took the risk of finishing the underground work and preparing to complete the asphalt streets before the deal was closed — otherwise the company couldn't get financing for the deal, Murphy said.

"What was real attractive to us is the lot sizes were right to fit our homes. And it's pretty close to our other (Jasper Meadows) location there," he said.

With prices in the "\$140,000 to \$200,000 range," Murphy said he is sure the company can sell houses in the revived Westwind Estates.

His certainty is stunning against measures of confidence on the part of homebuilders nationally, which have been bumping along the bottom of the scale for more than a year.

In December, the National Association of Home Builders/Wells Fargo confidence index landed at 16. Readings of less than 50 mean most builders rate conditions as poor.

Hayden Homes' model is to build one house on speculation for every house it sells, and that's what it'll do at Westwind Estates, Murphy said.

But he's anticipating a steady build out. "We're anticipating good sales demand, and sales are going to drive it."

"I've seen our model change people's lives."

— DENNIS MURPHY, HAYDEN HOMES PRESIDENT

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