



The Business of Building

Behind the Success of Sunrise Homes

By Bill Smolkin, Herbert/Smolkin Assoc., Inc. of Louisiana



Bill Smolkin

In March 2001, Sunrise Homes completed its best sales quarter in company history, selling 96 new homes—a remarkable result, given that new home building permits in the New Orleans metro area had dropped 18 percent in 2000.

Going up the down-escalator is not unusual for the company. For 42 years, it has consistently sold well in down markets, and has had some of its best years in the worst of times.

Today, Sunrise Construction and Development Corporation, better known as Sunrise Homes, is the largest home builder based in Louisiana with operations in the New Orleans metropolitan area and on the Mississippi Gulf Coast.

Through affiliates in commercial development, ownership and property management, the Sunrise family of companies is one of the larger and more vertically integrated construction firms in the south Louisiana-Mississippi

region.

Since its founding in 1958, the company has developed nearly two dozen residential communities in which it built more than 6,500 homes. Currently being marketed are 750-lot Belair and 350-lot Breckenridge in eastern St. Tammany Parish, as well as new communities in Biloxi, Gulfport and Ocean Springs.

It offers more than 35 different house plans, each of which was designed, engineered and consumer tested over a 12-to-18-month period before being released for production. Current prices range from \$90,000 to \$170,000. Continuing a value-driven tradition, a 2,278-square-foot two-story Bellewood home in Belair sells for \$117,500 with lot, or \$51.58 per square foot of air-conditioned area.

Other Sunrise developments over the years have included Woodmere, Belle Meade, Willowdale, Airline Park,

Riverwood on the Tchefuncte, Huntwyck Village, Oakmont Village, Place de Concorde, Covington Point, Tall Timbers, Chamale, and Plantation Oaks, in Louisiana and Beverly Place, Northwood Hills, Stonebridge, The Bluffs, Wildwood Trace, Windsong, Heritage Woods, Autumn Ridge, Lakeview and Landon Place in Mississippi.

The company, now in its second generation of family ownership and management, has been headed for the past 12 years by Lawrence “Larry” Kornman, an alumnus of Vanderbilt University (and a former member of the Vandy varsity soccer team). Steeped in principles of management, marketing and production he learned in the field as well as the office, he has guided the company artfully through up and down markets, adjusting product lines, price points and locations to changing market conditions. But through all these



The Alexander V model is featured at Sunrise's Lakeview development in Ocean Springs.

changes, many Sunrise subcontractor and mortgage relationships have remained the same for 20 to 30 years.

Throughout, the drive has been to provide more living area for the money, to produce well-planned communities, and thus to build-in resale profits for homeowners. Not surprisingly, some families now live in their second or third Sunrise home.

Founded in 1958 in the small town of Sunrise, LA, for which it is named, the company has applied a consistent business model. The late Charlie Kornman, the founder, was educated as an aeronautical engineer at Vanderbilt University before entering the industry as area manager for a firm building large-scale residential communities nationwide.

He greatly admired and sought to emulate on a smaller scale William J. Levitt, who had become famous for developing 20,000 home Levittowns in Long Island and Pennsylvania. Levitt in the

1950's pioneered new value-engineering and volume production methods in the housing industry, selling relatively large homes for relatively small prices. Influenced by the Levitt model, Charlie Kornman searched continuously over his entire 31-year career to create value; that is, to perfect an optimum system of buying land, financing and building communities, and marketing so that new homes could be sold in high volume.

As an engineer, he studied numbers and ratios. He developed ratios for lot yield per acre; lot frontage per street footage; square footage per perimeter foot; spec starts to sales; sales price per square foot; lot cost as a percentage of house prices, days from ground breaking to closing; visitors per ad dollar; visitors per closing; and so on, for every aspect of the business. He was particularly adept at structuring construction loans and cash flow, turning equity as many as six times a year while

others struggled to turn equity two times each year.

This was a behind-the-scenes story, however. What the home buyer saw was a bigger home in a better neighborhood for less money than expected, and at resale, a regularly handsome profit.

To devise and perfect the system, both Kornmans have turned for advice to nationally recognized consultants in market research, architectural design, model home merchandising, customer service, financing and production. But the key decisions and the orchestration were Charlie's and now Larry's.

As did Levitt, Charlie emphasized having a back-log of pre-sales and an even pace of carefully timed production. He insisted that five homes-no more, no less-be completed and ready for final inspection every Friday. He called that "rhythm" as distinguished from stop-and-go building. Through good and bad markets, he built and closed more than 200



Sunrise developed Belair subdivision on property adjacent to the 18 hole Royal Golf Course.



Sunrise goes to great lengths to preserve and enhance the natural beauty of each development.

homes a year, typically in a single location. By the end of his 31-year career, Sunrise Homes had built more than 5,000 homes—more than any other builder in the New Orleans metropolitan area. Larry has added another 1,500 to the total, at about the same pace.

As times changed, Larry Kornman moved decisively. Seeing buyer incomes rise, he crossed the \$100,000 price line for the first time; introduced house plans with over 3,000 square feet of living area; reached out strongly for Realtor® participation; installed computerized business systems; reinforced customer service and quality control; and added on-your-lot building with immediately strong results.

Referrals from Realtor's® now account for 67 percent of Sunrise sales and 30 percent by referral from previous Sunrise buyers. In answer to buyer satisfaction surveys 11 months after move-in 96 percent say they would recommend a Sunrise home to others.

Today, Larry Kornman is thinking 10 years ahead, pondering what the market will demand, and how he will respond. One thing is certain: Markets will change and as they do, so will Sunrise Homes.

Bill Smolkin, of the nationally recognized construction industry consulting firm of Hebert/Smolkin Associates, Inc., was recently named as one of the "100 Most Influential People in the Building Industry in the 20th Century" by NAHB's Builder Magazine. With offices located in New Orleans, LA, Hebert/Smolkin can be reached at (504) 586-1771.

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