



Shaun Ring photo

Mira and Donald Ball, front, founded Ball Homes in 1959. It is operated today by their children, (rear, from left) Ray Ball, Lisa Sharp Ball and Mike Ball.



Ball Homes' headquarters in Lexington

A Lot on the Ball

Ball Homes manages to climb the national Builder 100 list – up 41 spots in three years – during the worst downturn in generations

BY MARK GREEN

CONSERVATIVE business practices during the mid-decade housing boom may have left money on the table for Ball Homes, but it also left the Kentucky homebuilder with a solid financial foundation when the subsequent economic crisis fueled by bad-mortgage debt struck. As a result, Ball bounded up an impressive 41 spots on the Builder 100 list of top U.S. home producers during the depths of that crisis the past three years.

Sales volume is down sharply for Ball since 2004-05, the top years for U.S. homebuilders. Its lesser-prepared peers, though, took much harder hits.

The Lexington-based builder ranks 47th nationally on the just-released 2009 Builder 100 list after tightening up operations – except in marketing, where it became much more aggressive. Ball, family owned and operated since 1959, is simply an efficient, quality operation, according to observers in the Kentucky homebuilding industry.

Donald and Mira Ball, now 74 and 76 respectively, founded and built the company, which today is operated by their children, D. Ray Jr., 53; Mike, 51; and Lisa Sharp, 47. Ball Homes buys and develops property, designs its homes and apartments from floor plan to materials, and manages all construction. Milestone Realty markets the homes and conducts transactions. Walden Mortgage Group is the financing arm. Ball Realty manages the rental property, now numbering about 1,700 units.

Beyond the business, there is very extensive civic and charity activity. Donald focuses on projects that help the disadvan-

taged and discouraged improve their lives; *Builder Magazine* recognized him with a long-term community service award 11 years ago. Mira's focus is education; she's the present chair of the University of Kentucky Board of Trustees.

The list of the couple's leadership involvement in community service, professional, business, civic and charitable undertakings is massive. Donald Ball served a few terms in the state House in the 1960s and is a serious political campaign contributor.

"It's unbelievable what that man has done for the community," said Mac Crawford, who has operated his own specialty homebuilding company in Lexington for 38 years and is president of the Home Builders Association of Kentucky. "They are good all-around Americans who have made a great success story out of their lives, and have been good for our community and our country."

They live at Donamire Farm, a majestic 650-acre Thoroughbred operation with slate-roofed stone barns.



Mac Crawford, president of the Home Builders Association of Kentucky

"They sharpen their tools quickly"

The Balls are a modest bunch, though. Ask them for an explanation of their success and rather than bombast the reply doesn't go much further than attributing it to a consistent focus on satisfying the customer and conservative practices.

"We trust each other internally," said Ray Ball, president of Ball Homes for 27 years. "Everybody works well together and trusts one another. Everybody knows here the customer has to be satisfied."

And they are good managers and business people.

"They sharpen their tools real quickly when things shift," said Crawford. "They read the market better than other people."

When the federal government enacted an \$8,000 tax credit for first-time homebuyers as part of the February 2009 emer-

gency economic stimulus, "It wasn't two days and they were advertising it," Crawford said. "They are on top of their game."

Meanwhile, strong company finances and a good reputation provided an assist in "a tough market" where buyers are somewhat leery, according to Diana L. Oliver, immediate past president of the Mortgage Bankers Association of the Bluegrass.

"They are well capitalized," Oliver said. "Their reputation has served them well. If you give them a down payment (on a new house), they'll not only finish it, they'll build it correctly and they will be in business in a year" should any issue with the big purchase arise.

Two other Northern Kentucky-based homebuilders, Fischer Homes of Crestview Hills and The Drees Co. of Fort Mitchell, rank even higher on the Builder 100. Drees ranks 22nd nationally and Fischer is 39th. Both have fared relatively well during the recession – Fischer has climbed the Builder 100 list also. However, the vast majority of both companies' operations are in out-of-state markets.

Ball's developments are all in the Lexington and Louisville markets. It is the largest player in Kentucky homebuilding.

For 2009, Ball Homes had 580 closings, according to *Builder Magazine*. The year marked the fifth consecutive year of decreases in closings for Ball, which completed 1,108 closings in 2004; 1,074 closings in 2005; 847 closings in 2006; 695 closings in 2007; and 583 closings in 2008.



Diana Oliver, immediate past president of the Mortgage Bankers Association of the Bluegrass

While Ball Homes is down 47 percent from its 2004 peak, D.R. Horton, the enormous Fort Worth, Texas-based No. 1 homebuilder in the nation, is down 65 percent from its top figure of 51,383 homes sold in 2005. A big majority of the companies in the Builder 100 saw significantly steeper sales drops than Ball. Collectively, Builder 100 closings plunged 68 percent from 2005 to 2009.

Picking the right markets

Ray Ball does cite a couple of factors in his company's favor, partly arising from the Ball business plan and partly a characteristic of its sphere of operation.

"Our market of Lexington and Louisville is reasonably strong compared to other areas," he said. Kentucky builders and bankers largely avoided the subprime mortgage financing that inflated the housing price and construction bubble, then cut the financial legs from under regions that indulged in the ephemeral boom. "The strength of our communities has helped us to maintain levels of production."

However, Lexington and Louisville aren't big or lucrative enough markets to have attracted national home construction giants to compete against Ball Homes.

Ball said the company plans to stay in its "affordable" niche, building homes that sell for up to \$300,000 – most for a quarter to a third less than that. Ball has moved away from larger, more expensive homes. It operated in Knoxville, Tenn., for awhile in the 1980s and 1990s, but prefers managing operations closer to its Lexington headquarters, Ray Ball said.

In the past, the Balls also have tried owning and running a lumber yard – Ray began his career in the family business there in the mid-'70s – as well as other operations related to homebuilding.

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“We tried a little of several things,” said Donald Ball, “including plumbing and electrical and heating work. But in the end we decided rather than working in that aspect of it to hire a good contractor and maybe build an extra house or two as a result.”

Donald Ball had no family background in building growing up in Western Kentucky and began learning the business when he took a part-time job as a student at UK in the mid-1950s. After having married in 1955, he and Mira incorporated Ball Homes in 1959 to build single-family homes.

‘It was a good balance’

“Dad has always been more of the risk taker, the planner, the thinker,” said Lisa Sharp. “Mom ends up having to pull it all together ... taking care of the accounting part of it. When they started, it was a good balance.”

Mira Ball is the long-time chief financial officer.

“We have tried to plan – and some people think builders don’t do that much of that today,” Mira Ball said. “But especially when you are trying to get land and lots, you’ve got to put a lot of planning into everything you do with building.”

Credit for Ball Homes’ success in recent years goes to Ray, Mike and Lisa, Donald Ball said.

Kentucky’s Builder 100 Members

Ball Homes *Lexington* *ballhomes.com*

CEO: Ray Ball

Markets: Lexington, Louisville

YEAR	CLOSINGS	REVENUE	RANK
2009	580	\$113 million	47
2008	583	\$114 million	54
2007	695	\$133 million	77
2006	874	\$169 million	88
2005	1,074	\$191 million	77
2004	1,108	\$184 million	72

The Drees Co. *Fort Mitchell* *dreeshomes.com*

CEO: David G. Drees

Markets: Cincinnati; Cleveland; Dayton, Ohio; Indianapolis; Nashville; Raleigh, N.C.; Frederick, M.D., Washington, D.C.; Jacksonville, Fla.; Dallas; Austin, Texas.

YEAR	CLOSINGS	REVENUE	RANK
2009	1,500	\$520 million	22
2008	1,762	\$628 million	25
2007	2,536	\$947 million	27
2006	3,154	\$1.16 billion	29
2005	3,038	\$1.09 billion	32
2004	3,062	\$1.02 billion	29

Fischer Homes *Crestview Hills* *fischerhomes.com*

CEO: Henry Fischer

Markets: Cincinnati; Columbus, Ohio; Indianapolis

YEAR	CLOSINGS	REVENUE	RANK
2009	696	\$143 million	39
2008	603	\$127 million	52
2007	935	\$198 million	61
2006	1,310	\$281 million	61
2005	1,150	\$244 million	73
2004	1,083	\$231 million	76

Source: Builderonline.com



Ball Homes photo

A Ball Home in the Glasford development now being built in south Fayette County. More than 30 floorplans are offered at Glasford ranging from over 1,400 s.f. to more than 3,500 s.f.

In a news release regarding Ball Homes’ climb up the Builder 100 the past few years, Lisa, vice president for sales and marketing, cited careful management of inventory, ensuring a steady supply of homes available for quick occupancy. The company recognized buyers’ desire to move quickly to secure the advantages of low interest rates, tax credits, competitive pricing and new homes’ energy efficiency – especially for the most popular floorplans, locations and option packages.

The company and its employees coped well, she said, with the intense buying cycle created by the tax credit deadlines: contracts by the end of April, closing no later than the end of June.

The \$8,000 first-time-buyer federal tax credit (and other incentives) did help sell homes, “but were maybe not as big as some think,” Ray Ball said. “People don’t buy houses just to get tax credits. It’s more about family than credits.”

Activity has slowed since the credit ended, but he expects to regain momentum later in the year. The fundamentals that ultimately drive the housing market remain in place: a growing population and adults’ desire for their own home. Current high unemployment rates are forcing more young adults to live with their families, Ray Ball said, but this is creating a pent up demand.

Advertising kept business coming in

Ball expects a “gradual recovery” in the economy. In 2010, he forecasts the company will have about the same level of sales as 2009. “We will be ‘vital’ in a couple of years.”

Having taken a conservative approach during the height of the housing economy, Ball Homes had not grown as much as it could have. “We did make some structural changes in the company in response to the economic downturn,” he said. “We did not have to make painful cuts.”

Ball increased its advertising “to keep the company busy” as the economy worsened. “We would have had to lay off (employees) had we not marketed as much.”

In the meantime, a number of homebuilders have left the Kentucky market and Ball has been gaining market share.

The present remains a good time for qualified buyers, according to Ray Ball. Mortgage interest rates are low, even dipping under 5 percent this year – “rates I never thought I’d see in my life.” And because of the recession, competition among contractors and suppliers helps keep costs down.

“People can afford more than before because of this,” Ball said.

Recent shifts in the market, however, are permanent in his estimation. Smaller, energy efficient homes of quality construction will be able to demand a premium. ■

Mark Green is editorial director of The Lane Report. editorial@lanereport.com