Douglas C. Yearley, Jr.:

We achieve a premium for our homes, and frankly, we deserve it. Because I've been running around this country for 30 years looking at what we do and what others do, and we deserve it. And I won't let that ever go away. That is so important. We've worked so hard to build it. Every person in this... All 5,000 associates in this company, my hope, are passionate about it. We talk about it all the time. And so yes, I am convinced and the data supports a premium for Toll homes.

Matt Slepin:

Hi, this is Matt Slepin, and welcome to Leading Voices in Real Estate. Today's interview is a conversation with Doug Yearley, the CEO and chairman of Toll Brothers, one of the country's leading home builders, and as you will hear, consistently Fortune Magazine's most admired home builder, and across all industries, one of their most admired companies across the globe. Doug and I cover the waterfront in this conversation about the opportunities and challenges to home building coming out of the pandemic, especially both supply chain issues, as well as the run up of demand and therefore home values. Toll Brothers' tagline is America's luxury home builder. And we talk about differentiation in the home building business and the very client facing corporate culture required at the luxury end of a production home builder business model. We also talk in the podcast about a personal experience that I share with the company's founder, Bob Toll. Although at different times, he and I were both campers at a boy's camp in Maine called Camp Powhatan, which is now, thanks to Bob's philanthropy, an international peace center doing incredibly important work.

I don't want to spoil the anecdote, but Camp Powhatan was special in the day for us campers. Now Seeds of Peace does absolutely amazing work at old Camp Powhatan by sending kids who come from opposing sides and conflict areas, starting originally with Israeli kids and Palestinian kids to camp together in the main woods to foster open dialogue relationships and understanding. Seeds of Peace would not exist without Bob Toll's having purchased the camp. Acquiring real estate was obviously in his wheelhouse. I invite you to look up and send support to seedsofpeace.org. I love the conversation with Doug, especially around the theme of what it takes to create a most admired company. We keep hitting this discussion in the podcast. What makes a great company and specifically, what makes a great lasting business platform, something that transcends the collection of assets. Doug talks about it with respect to their client focus and culture, which is deeply intertwined with their luxury level focus.

And we also covered it in the re-release we did a few weeks ago of interview with Keith Oden from Camden Properties, which is a Fortune Best Places to work. I love this theme, which frankly, I did not expect when we started leading voices. And we love in our search work at Terra Search Partners, working with clients who are striving to create that kind of lasting business platform. And we get to help them explore that through the people side of the business. And one of my personal conceits, although I believe it to be true, is that the bar in that aspiration just keeps moving higher and higher as the real estate business and the needs of our customers and the planet keep demanding that improvement as well. So I hope that you enjoy the conversation with Doug. If you do, please share the episode with a friend or colleague. And if you have a few minutes, please rate us on your podcast app. As always, if you have comments or questions or guest suggestions, feel free to email me at matt@terrasearchpartners.com. Enjoy the show.

Thank you for being on the podcast, Doug Yearley, you're our third home builder in the five years of the show. And I'm thrilled to have you. I have a personal relationship to some degree with Bob Toll, which we'll talk about a little bit later, and a deep relationship to Philadelphia where you guys are based. So there's some kind of emotional connections to the conversation we're going to have and what we're talking about, but home building is such an important part of the real estate world. And for our listeners, we kind of need an update on what's going on in your business, generally, and who Toll Brothers is. And let's just get into it. Maybe the best place to start is your self-introduction to yourself and the company, and then we'll just drill down on a whole bunch of topics.

Douglas C. Yearley, Jr.:

Sure. Thanks for having me, Matt. I've been with Toll Brothers for 32 years.

Matt Slepin:

Mm-hmm (affirmative).

Douglas C. Yearley, Jr.:

I graduated from college in 1982, I couldn't get a job. The recession was full on, I didn't know what I wanted to do, so that didn't help.

Matt Slepin:

Yeah.

Douglas C. Yearley, Jr.:

I took a year off as a paralegal to see if I really liked the few law classes I'd taken undergraduate up in Ithaca, New York, and I went to New York city as a paralegal for a year. Went to law school, got out of law school at 26. I was a litigator, not a real estate guy at all, just a litigator. I hated the fight. I hated being in the middle of a fight, whether you had the right side or the wrong side. And I started renovating my old home and Haddonfield, New Jersey. And I thought, "You know what? This is a lot more fun. Maybe I'll buy fixer uppers and flip them," that would've been a disaster.

Matt Slepin:

Mm-hmm (affirmative).

Douglas C. Yearley, Jr.:

And at 30, after practicing law for four years, I met Bob Toll. And it was on my 30th birthday, I interviewed with Bob. He liked to hire lawyers, not to be lawyers within the company, but he liked the way law school sort of wired your brain.

Matt Slepin:

And he was a lawyer, right?

Douglas C. Yearley, Jr.:

He was a lawyer.

Matt Slepin:

Yeah.

Douglas C. Yearley, Jr.:

He lasted nine months at WolfBlock.

Matt Slepin:

Uh-huh (affirmative).

Douglas C. Yearley, Jr.:

So I meet Bob, having no idea about the company, frankly, because I wasn't a Philadelphia kid, and really not knowing what I wanted to do, except knowing that I didn't want to be a lawyer. And I went to Cornell, he went to Cornell. Bob likes that. I love law school, rewired my brain, I hated the practice, Bob loves that story. At the end of a two hour interview, he said... He didn't even know what the job would be, he just wanted to bring somebody in. We were a small company then. Just going public. And he said, "What do you make?" I said, "Bob, I make $71,000 as a fourth year lawyer." He said, "I'll pay you 71. How many weeks vacation?" I said, "I get three." "I'll give you two." I said, "Bob, I'm 30. Can I have three?" "My boy, you're going to be having so much fun, you won't be able to take two." Shook his hand and off it went.

Matt Slepin:

Wow.

Douglas C. Yearley, Jr.:

I started buying land for the company. Back then, all the land we were buying was basically from farmers in the suburbs of Philadelphia, a little bit into New Jersey, just venturing into DC, that was the expand of the company. And so most of the land teams were sitting on rocking chairs on front porches of farmer's houses, eating apple pie, and maybe having a shot of Jack Daniels. The deep housing recession had hit in the early '90s, he needed somebody that could put a suit on and go into a bank and buy real estate from banks that had taken back bad loans. And so he said, "You're the guy." And I just learned the business. He sent me out in the field, I worked in a construction trailer in Bucks County. I helped expand the company, truly ground up. He's been my boss for 32 years. It's all Bob Toll.

Matt Slepin:

Wow. Hey, let's go back for a sec. When you joined, it was a public home builder, but it was only developing in the, really, Philly and New Jersey area.

Douglas C. Yearley, Jr.:

So the company was started by Bob and Bruce Toll in the Philadelphia suburbs in the mid '60s. 1987, went public, New York Stock Exchange. I came in '90, but we were still just a regional builder. We had a nice foothold in New Jersey, excuse me, in Philadelphia suburbs. Then we were in the suburbs right around Princeton. We had just gone up to Boston and we were just venturing down into DC, and that was it.

Matt Slepin:

Wow. It's just interesting to think of the public markets wanting such a localized home builder at that point in time. That's just a different world because now, the publics are much larger of course.

Douglas C. Yearley, Jr.:

That's right.

Matt Slepin:

When you joined and when the company had its model then, was it then also a luxury home builder as the top line of it?

Douglas C. Yearley, Jr.:

Yes. Yeah. The company has, from day one in the '60s, was always focused on being higher priced. Still, you can't bring your architect in and build your home and your design on our lot, but there was always the opportunity to semi customize your home with structural changes we offered, with finishing selections. So the company has always been built on the luxury side of it, and that continues today.

Matt Slepin:

Doug, are you a Jersey person, a Philadelphia person? What's your...

Douglas C. Yearley, Jr.:

I grew up in North Jersey suburb called Westfield. Was there my entire childhood with a few short exceptions. And then I, gosh, for the last 35 plus years, I've been Princeton, Haddonfield, South Jersey, and then over here, Bucks County. And now, I live on the main line in Wayne. Yeah, I'm right in what they call South Wayne, which is sort of the gridded streets, right off of downtown there.

Matt Slepin:

How did you choose to live in the gridded streets versus in one of those wonderful estate kind of things that you ride... When I go from Wayne to my parents' house, that's what I used to drive through these amazing old estate.

Douglas C. Yearley, Jr.:

I grew up in a town of gridded streets. Notwithstanding my job, I've sort of always gravitated to old homes that I've renovated. I like neighbors.

Matt Slepin:

Do you get to walk to coffee in the gridded streets? That's my term.

Douglas C. Yearley, Jr.:

Yeah. We walk to downtown Wayne, we walk to church, we walked a dog around the block, we see our neighbors, we ride our bikes. I don't know. It's how I grew up.

Matt Slepin:

That's it. And it's actually interesting talking to a home builder on that subject because that's the stuff that matters, right? And all options in housing matter, but kind of community fabric and a small town at the exurb town like Wayne is one of those perfect places.

Douglas C. Yearley, Jr.:

Yeah. There aren't too many of them left. We Builders are trying to recreate some of that, and some of it works and some of it's a bit contrived, right? Because it's not authentic and it's in the middle of nowhere, and if it doesn't and have a strong... If you don't have enough rooftops, you can't have successful retail, and without successful retail, you can't really have a true town. I mean, there's town centers, look at King of Prussia, what's going on next to the mall? I mean, we build there and we've done terrifically well, and lots of apartments and there's... They created a little mini gridded street downtown that seems to be thriving.

Matt Slepin:

Yeah.

Douglas C. Yearley, Jr.:

But they had the mass to do it, right? They had enough rooftops between all the rentals and the higher density allowed them to have the rooftops that it has worked well.

Matt Slepin:

It's interesting. We took a vacation last summer and we went to Bend, Org and we stayed at a new urbanist community called Northwest Crossing. It was all new houses, 15 years old or something like that. And they're still building there, but it was on a new urbanist model. There were alleys, so no cars in the front, all alleys, all walkable parks within one block of everybody, little retail centers, a lot of attached housing. It was pretty dense and it was fantastic. And it achieved... You said contrived, which it was. So we were kind of debating we're all real estate people hanging out, debating that good feeling that we had with the thought of contrivance in that community.

Douglas C. Yearley, Jr.:

And Celebration, right? Down at Disney World was one of the original. Fairly controversial because if you wanted to... How dare you want to change your white picket fence to beige picket fence or... Anyway.

Matt Slepin:

We had Andrés Duany on the podcast in the first season and he's kind of the father of new urbanism. And I'd known him years ago a little bit. And that was a really interesting conversation on that subject. And let's stick with the company today and we're going to go back in history a little bit later in the conversation. So because you're positioning as a company as still America's luxury home builder, you're the 11th largest home builder in terms of production, but you're fifth every year, more or less, in terms of gross revenues, size and scale of the company. Could you talk about that positioning of the company and what that means and how it is within your peer group? Stuff like that.

Douglas C. Yearley, Jr.:

Yeah. Yeah. We don't look at units, so you're right, I guess, we're 11th on units, but we look at revenue, which is you take all your sales and you multiply them by what you sold the house for. And that brings us in around four or five. Our market cap on Wall Street is around four or five. The last couple of quarters, our average sales price has been over a million dollars, which has been driven by the tremendous market we've had. We are now in 24 states, 60 markets. We have more activity Colorado west than we have Texas east, which you think of coming out of Philadelphia, that surprises, certainly, a lot of local people here.

We've made strategic move in the last decade to chase the smile states, which is right down in the Eastern Seaboard, across Florida through Texas, up the west, filling in the mountain states of course, which are so hot. So while our price average is over a million, we sell about 35% of our homes to first time home buyers, which is a surprise to people. And we have been more and more focused on what we... Internally, we don't market it, but internally, in the Wall Street, we call affordable luxury. I equate it to like the three series BMW. We know to grow, we can't ignore 75 million millennials. But we also know that millennials are buying a house at 35 years old.

Matt Slepin:

Right.

Douglas C. Yearley, Jr.:

They're a lot wealthier than when I bought my first house at 26 years old. And their first home can now be a Toll Brothers home or a three series BMW because you've got a dual income, maybe making 200 grand. And so we're selling a lot of houses in the five, six, sevens, and eights to the first time buyer. And the combination of a huge growth in geographic footprint layered onto a much wider net of price point is driving what we think has been and will be outsize growth in the industry, because we have the widest variety of product. Because as I say, we go from you could buy a Toll house in certain markets at 350 and you can buy a Toll house in other markets at 4 million.

Matt Slepin:

Right. And is that-

Douglas C. Yearley, Jr.:

It's been a lot of fun to watch this widening of the net as we call it.

Matt Slepin:

Right. And also, we're going to keep bouncing back and forth between all these topics, but you're also doing attached, or high-rise, mid-rise? You're in the apartment business one way or the other, talk about that.

Douglas C. Yearley, Jr.:

Yeah. So there's two versions of the attached. One is our Toll Brothers City Living, which has built more than 30 high-rises in Manhattan, Brooklyn, Hoboken, Jersey City, little bit in Philly, little bit in Bethesda, Maryland. And then we also have 20,000 plus apartments that we're building nationwide. Market apartments, that can be suburban, stick-built, low-rise. We do mid-rise on top of a concrete podium parking garage with stick above, and we do true high-rise, and that is nationwide. Within that, we have two kind of... I call them subsidiaries of the apartment business, which is a single family rental business. Suburban single family communities that are purpose-built for rent.

Matt Slepin:

Right.

Douglas C. Yearley, Jr.:

And we have a student housing arm that we call Toll Brothers Campus Living. We built at University of Maryland, we built at Penn State, we're building at ASU in Tempe, Arizona, we're building at Florida International University outside Miami, we're building at Georgia Tech in Atlanta. So that's a pretty cool business that falls under the umbrella of Toll Brothers Apartment Living. We love the business, it's luxury, it compliments our home building operation. We have, obviously, great synergies with land teams and national purchasing power, and a brand, that really has helped. But it's also a nice hedge, because while apartments and for sale can certainly do well at the same time as they are now, there's other points in a cycle where maybe one or the other isn't performing as well. And so we like strategically having spread ourselves into both businesses.

Matt Slepin:

Mm-hmm (affirmative). And when you say the word apartment versus Toll City Living, one's ownership and one's rental, is that what the word apartment means in this context?

Douglas C. Yearley, Jr.:

Yeah. That's a very good point because in New York City, what we could typically consider a condo is called an apartment even if you own it.

Matt Slepin:

Right.

Douglas C. Yearley, Jr.:

But the Toll Brothers City Living business is all for sale, and the Toll Brother's Apartment Living business is all for rent.

Matt Slepin:

And some of your Toll Brothers Apartment Living, you're also building with or for equity residential? Is that...

Douglas C. Yearley, Jr.:

Yeah. So we formed a joint venture with EQR, I don't know, four, five, six months ago. More than half of what Toll Brothers Apartment Living will now develop, will be in partnership with EQR. Everything we've done in the Apartment Living business has been with Equity Partners, but they've been a variety of different partners. And we put a deal together with EQR in the markets they like, which is more than half of our business.

Matt Slepin:

Right.

Douglas C. Yearley, Jr.:

To have them be the partner, and then they take us out at stabilization.

Matt Slepin:

Got it.

Douglas C. Yearley, Jr.:

We're effectively the development arm for some of EQR.

Matt Slepin:

Yes. We do work with EQR, we know the people well, and the development arm has contracted a little bit due to the kinds of stuff that you're doing with them. Do you, this is interesting as a public home builder, do you keep apartments that you own on the balance sheet of the overall business and how does that interact in a home building operation, which feels like not kind assets?

Douglas C. Yearley, Jr.:

That's a great question. When we started Toll Brothers Apartment Living eight years ago, our strategy was going to be we'll hold one long-term, we'll sell one at stabilization. We'll show our investors, our shareholders, some earnings every quarter from the outsales at stabilization, but we'll also build up a business that maybe one day will be big enough that it can have its own exit strategy as a public reader, whatever. And I think we've recognized over the last couple of years, the lumpiness of the earnings created by only selling some at stabilization versus all has not been fully rewarded by Wall Street as what I'd call recurring predictable earnings that we're going to give you a fair multiple of.

Matt Slepin:

Right.

Douglas C. Yearley, Jr.:

So we are now selling everything at stabilization to have a more predictable, larger earning stream from those outsales. And that's one of the reasons why we did the EQR deal because obviously, they want to own everything longer term as a REIT. And so yeah, it started with kind of half and half hold sell, but now, it's a hundred percent sell.

Matt Slepin:

Uh-huh (affirmative). The merchant build model is a profitable model for companies that are always in the market and always doing that. They don't create a portfolio of long-term assets, so it's just a different business model, but-

Douglas C. Yearley, Jr.:

Right. A home building shareholder wants to see earnings growth from a growth company, and a REIT, an apartment REIT shareholder wants a dividend and they want... It's a different shareholder base. And so when you combine the businesses, you just have to be careful in how you message it and how it operates. And we've gone through this transition I mentioned, and we're going to be a merchant builder. We're going to sell at stabilization and we're going to increase our earnings regularly through the business.

Matt Slepin:

Uh-huh (affirmative). And one of the things I like, it's just interesting, if you're a merchant builder with one partner, then some of the risks of merchant building long-term interest of the asset being well constructed goes away because you're always with that same partner who's going to own it. So they're going to have you build it to a spec that works long-term where you don't get paid for that all the time in regular merchant building.

Douglas C. Yearley, Jr.:

EQR is involved. We generally identify the land. We generally get all the entitlements, they help us with the design.

Matt Slepin:

Right.

Douglas C. Yearley, Jr.:

We build it, and then they take over management. They're very good at leasing.

Matt Slepin:

Yeah.

Douglas C. Yearley, Jr.:

And managing buildings, but that design piece is where EQR is able to weigh in saying, "Hey, we're going to be the long-term owner of this." So they're looking for construction methodologies or features, amenities, whatever it may be, that work for them longer term. So yes, that has worked well.

Matt Slepin:

Right. And I've been with them when they talk about we're going to build at a spec that would not make good economic sense for a merchant builder, but the spec is higher because we're going to get paid back on a maintenance basis and a replacement basis. So let's keep going with different thoughts here. Compare when you talked about broadening your net of the kinds of assets that you build as a home builder, how does that compare to other home builders? You haven't gone that far down the spectrum, because you're still BMW series three.

Douglas C. Yearley, Jr.:

Right.

Matt Slepin:

Are the other home builders two levels below and then only three levels from the top at where you are? How does that bracket itself?

Douglas C. Yearley, Jr.:

Yeah. As we get up in price, we generally compete against a more and more local builder.

Matt Slepin:

Right.

Douglas C. Yearley, Jr.:

Now, the bigger publics, particularly in this market, which is so strong and with these 75 million millennials driving demand, which feels like some time now, they really don't want to come up to what we do. They don't want to make structural changes to homes, they don't want to run these beautiful design studios we have where you can go in and you can easily spend a hundred thousand dollars on finishes, flooring, kitchen cabinets, countertops, stair rails, it goes on and on what we offer you, and it's a tedious build. We've spent 55 years perfecting it. It extends the cycle time to build the homes. it adds complexity. It's harder to be really focused on production when every house down the street is different, and they've just chosen it's not their business.

Most of the bigger builders are very focused on spec. They build most of the homes without a customer. We only build 20% of our home's spec, 80% of our homes have a customer contract, but we're allowing that customer to customize their home with structural changes and finish changes. And so the bigger builders are not... I'm not even sure, Matt, it's three steps from the top for us. They just don't want to go where our core business is. And then as we come down in price with the more affordable luxury, the three series, we overlap. We do overlap with the builders in sort of their more expensive offering. We haven't yet hit the Mini Cooper. That's the next step for us. And it'll come because the affordable luxury... I mean, three years ago, our homes in Boise, Idaho were $380,000, and today, the same house is 600.

And so the obvious question is, "Okay, is there now a spot below the 600 at 450 that we can backfill into?" And we will slowly migrate in that direction carefully. I am extremely focused on the brand, and we will not come down in price if it hurts the brand. So far, we have communities... Phoenix, Arizona is a great example. We build over a thousand houses a year. We have homes at 2 million and we have homes at 450, and we don't hear people walking into the $2 million neighborhood saying, "This isn't the old Toll Brothers that I knew and loved. I hear you're building at 450 and I just don't want to buy from you." We're not hearing any of that because we're really proud at 450. You can still go to the design studio. You still have opportunities to customize. The sales center looks identical. The model home is beautifully decorated. It's just smaller, it's a jewel box.

Matt Slepin:

I think a jewel box... Actually, when I think of Mini Cooper or the three... Although, I once bought the Mercedes-Benz version of a three, and a friend of mine in the car business said, "That's not really a Mercedes-Benz." It really pissed me off too, because I'd finally bought one. But is there a resale relationship... Is there a relationship and value on resale for buying, let's just use the word quality, that you're producing versus a total conveyor belt home? If that's a-

Douglas C. Yearley, Jr.:

Absolutely. Yeah.

Matt Slepin:

I hate to say that to the other guys, but...

Douglas C. Yearley, Jr.:

No, we are so proud when we see advertisements for a Toll home that's being resold where the resale realtor says, ""Beautiful four year old Toll Brothers home." We do our market comps. We do deep dive analysis of... Even in a new community where we're going to be offering homes, trying to compare to what the others are doing, so we can come up with the right pricing. Or in existing communities that are open where we raise the price that feels like we're getting a premium. I mean, all the market comp, the size of the lot, the square footage of the home, how pretty is the kitchen, we do this detailed analysis. And there's discretion, there's this leftover value.

Matt Slepin:

Right.

Douglas C. Yearley, Jr.:

And I don't think it's just that I've been here 32 years and I'm drinking this Kool-Aid, it's genuine, it's empirical. It can be proven out with data. We achieve a premium for our homes, and frankly, we deserve it because I've been running around this country for 30 years looking at what we do and what others do, and we deserve it. And I won't let that ever go away. That is so important. We've worked so hard to build it, every person in this... All 5,000 associates in this company, my hope, are passionate about it, we talk about it all the time. And so yes, there is, I am convinced and the data supports a premium for Toll Homes.

Matt Slepin:

Interesting. You're one of Fortune's World's Most Admired Companies. And we just re-released a podcast interview I did with Keith Oden from Camden about three years ago. And Camden's been one of the Fortune 100 Best Places to Work for 16 years in a row, which is like a camel through the eye of a needle or something. What does that mean for that designation for you? And I want to talk a little bit more about culture relating to delivering what you just described.

Douglas C. Yearley, Jr.:

Yep. So we just, last month, were named the number one Most Admired Homebuilder by Fortune for the seventh time. The one that shook us was in 2016. Fortune does this survey of all industries, and I don't know how many, let's say a hundred, around the world and they roll up a list of the top 10 Most Admired Companies in the world, regardless of industry. That's on my wall, so I'll read it. Number one, Apple, number two, Walt Disney, number three, Amazon, number four, Alphabet, number five, Nordstrom, number six, Toll Brothers, number seven, Netflix, number eight. Facebook.

Matt Slepin:

So talk about that. What-

Douglas C. Yearley, Jr.:

Holy smokes.

Matt Slepin:

Yeah.

Douglas C. Yearley, Jr.:

I said, "We're going to market that result for the rest of time."

Matt Slepin:

Well, you have to keep that result.

Douglas C. Yearley, Jr.:

Oh, yeah.

Matt Slepin:

That's not-

Douglas C. Yearley, Jr.:

Absolutely. Absolutely. All those other brands are iconic international, and I'm not... We're iconic, but we're certainly not international. And so yeah, we work hard at it and it means a lot. It means a lot to the employees, and I think it means a lot to the customers.

Matt Slepin:

Right. It's interesting though, talking to Keith from Camden, to become one of the best places to work, there are metrics to follow and goals to achieve that their company is uniquely focused on to get year after year. And it's conscious, it's not, "Oh, my God. They admire us." It's, "We caused that level of attention." And in this case, it's, I guess, to your brand, so it's a different thing, but I'm curious to drill down a little bit on that, which is how do you, besides great podcast, how do you accomplish on and on that processor in the marketplace?

Douglas C. Yearley, Jr.:

This is a family company started by Bob and Bruce Toll that has obviously grown tremendously. We work super hard at keeping that family environment. We have so many long tenured employees here that just love it and stay. If you don't believe in what we're doing, then you got to move on somewhere else. I mean, it's the first week on the job, 32 years ago, Bob threw me in his car. We drove through the Philadelphia communities, he wanted show them to me. And I'm watching this guy who was iconic in the industry.

Matt Slepin:

Right.

Douglas C. Yearley, Jr.:

A patriarch of home building, screeching on the brakes at entrance features, getting out of the car and pulling weeds. Stopping the car in the street and picking up litter, fixing the easel signs, the sale signs in the front yard of the model so they're straight, changing out dead light bulbs in the model home. I mean, we've built a culture. Disney talks about there's 50,000 people that work at Walt Disney and there's 50,000 people responsible for picking up trash.

Matt Slepin:

Yeah.

Douglas C. Yearley, Jr.:

And it's these little things that everyone believes make a difference in the brand. But it goes way deeper than that, it's just you're hiring people that believe in what you're doing. I think we've created an environment where it's really fun to come to work. We're hard driving, we're smart, we're competitive. There's an east coast edge to Toll Brothers, but we're respectful and we're nice and we treat everybody the right way. And I think that just resonates throughout the firm and therefore, resonates down to the sales people who are interacting with our clients and the construction teams that are building the houses for our clients. It's just cultural. It's just really important. I mean, I've been here so long that 12 years ago when I became CEO, I knew where the bullies were, laying around this place. You can't have 5,000 employees, no matter how good you are, and not have some bullies.

Matt Slepin:

Right.

Douglas C. Yearley, Jr.:

I knew where they were hiding because I had every job in this company and I'm still sniffing them out. It's one of my jobs. A bully will not survive in Toll Brothers.

Matt Slepin:

It's interesting. I say this on the podcast all the time. I'm a recruiter, that's my job. And recruiting is not the most admired industry. And we believe, at my particular company, that we have a mission. So I approach it like I'm going to pull the weeds and we're going to treat everyone really, really, really well. They're not bodies that are flying through the company, right? That's that's our job. Our job is to treat the 200 people we talk to in a search as if they're all kind of gold, as best we can, because you can't really achieve that. But once you have that attitude, it changes the nature of your doing what you do as compared to how other people do it. And you also couldn't, in your case, do the level of customization. Seems to me that that customization part is a people intensive part of your business and customer service part of your business that does enable you to go to that luxury level.

Douglas C. Yearley, Jr.:

That's exactly right.

Matt Slepin:

Okay. I'll take that. So talk about Bob Toll, because I'm curious about this and you've talked about him through this. And I will tell a story here that Bob and I, not at the same time, went to the same camp in Maine, a place called Camp Powhatan.

Douglas C. Yearley, Jr.:

I know it well.

Matt Slepin:

I bet. And when Jewish boys camps went out of business, Bob bought Camp Powhatan and turned it into a peace center, an international peace center called Seeds of Peace. I hope everyone will go donate a thousand dollars to Seeds of Peace, where Palestinian kids and Israeli kids go to camp to do the same things that we did back when we were at Jewish boys camp. That's an extraordinary story. And it talks about soul and mission, and it's not unrelated to what you guys do and what we just talked about with culture.

Douglas C. Yearley, Jr.:

Yeah. Well Bob tells me the story when he was a little boy, his parents would put him on a train in Philadelphia and send him to Maine.

Matt Slepin:

Right.

Douglas C. Yearley, Jr.:

And somehow, I don't know if it was Portland, Maine or where that train went, but wherever it went, the camp would pick him up, him and his buddies, and his childhood was formed by Camp Powhatan. He summers on a home he built that borders what is now Seeds of Peace Camp.

Matt Slepin:

Right.

Douglas C. Yearley, Jr.:

And yes, but Bob and Jane Toll have been incredibly philanthropic. I remember right when I started here in the '90s, they had just sponsored a, I think it was a couple of fourth grade classes of the worst elementary schools in Philadelphia, and told the parents and the kids of those classes, "If you make it to college, we're paying every penny. And I don't care if it's Harvard, Stanford, or a community college."

Matt Slepin:

Right.

Douglas C. Yearley, Jr.:

And they didn't just say that, and when these kids were in fourth grade, these kids came up to Maine with them. They became friends. They worked for Toll Brothers.

Matt Slepin:

Right.

Douglas C. Yearley, Jr.:

I mean, the percentage that went to college was way higher than what that school had produced in the past, but sadly, it wasn't as high as you would've hoped. But I'm sure to this day, Bob and Jane are still connected to those kids and that's just who they are. But the Seeds of Peace Camp is exactly what you described. He bought the camp. It is an internationally acclaimed summer camp that is trying, as Bob says, trying to break down the embedded hatred with this next generation, by taking these Palestinian and Israeli kids and bunking them together in cabins and having them tug of war and sail and sit around the bonfire and do all the things you do at great camps. There's also American kids that now go to that camp. It's incredibly hard to be accepted into that camp. And there are now leaders in middle east countries, leaders.

Matt Slepin:

Right.

Douglas C. Yearley, Jr.:

That have come out of that camp. I owe everything to Bob. I told you the story back to my 30th birthday, and he built the company sort of on those morals.

Matt Slepin:

Right.

Douglas C. Yearley, Jr.:

And on that balance of how he looked at life and how he wanted to give back to those in need.

Matt Slepin:

Got it. And talk about then taking over the company from your mentor and really legend in the business, because he was the CEO of the year and all that stuff. So what was that like as having passed that baton and how was the business... What changes did you make to the business or what continued, how has it evolved? I know he's still on the board, but talk about that.

Douglas C. Yearley, Jr.:

So it was 2010, Bob was 69, he's now 81.

Matt Slepin:

Yeah.

Douglas C. Yearley, Jr.:

It was a tough time. I think Bob had told me that he was thinking to doing it around 2008, but the market was so bad.

Matt Slepin:

So bad.

Douglas C. Yearley, Jr.:

He didn't want to throw that at me, so we waited a couple years. It was a little bit better. I mean, we're still struggling, but at least 2010, you started seeing some glimmers of hope that weren't there in 2008. And so in the early year... And Bob was very involved. He moved to executive chairman, which means he had as chairman of the board while I was CEO, he was very, very involved. He was still on our land committee that approved every land deal that the company was buying and any strategic moves, whether it be acquiring a small builder or entering a new market, or anything of significance, Bob was very involved in the early days of my tenure as CEO. But it was really a time to start rebuilding Toll Brothers because we had gone from selling over 8,000 houses a year to 2,500.

And thankfully, we were very strong financially. This company's always had a very conservative financial practice, which gave us a strong balance sheet. So we were able to take advantage of some of the cheaper land that was out there from others that had suffered through a bunch of pain. And we just kept doing what we had been doing in earlier years, which was look for new markets to expand into, widen the price point, the product lines of what we were selling. For a while there, we were looking in China, we were looking in Brazil, we were looking in Canada, Mexico, because there was no action in the US, we had the capital. We didn't go anywhere, but I was running around, I went down to São Paulo and some other places, and we got fairly close.

It was an opportunity to kind of rebuild Toll Brothers. And as we progressed through the last decade, I think we've gotten bigger, more diverse. And then 2018, Bob stepped down as executive chairman and gave me the chairman... The board gave me the chairman position and he just became a board member. And then of course, two years later, COVID hit and we had early on struggles, and then of course, the market took off. And it's hard to follow a founder. There was a lot of people that warned me that this is Bob's company, it's always going to be Bob's company. He is so iconic in the industry. And I know how strong-willed Bob is, and I know how smart he is and how driven he is.

Bob made this work and we had such a great relationship. He allowed me to make decisions. He never overruled me. Even as something as simple as a land deal. He may have said, "Doug, I disagree. I don't think we should buy this," or, "I think we should buy it, but it's your call." He backed away, so he allowed me to start doing the media where I do quickly around earnings calls. I became the face of the company with CNBC, Bloomberg, et cetera.

Matt Slepin:

Right.

Douglas C. Yearley, Jr.:

The investor meetings in New York City, the real estate conferences, some of the lobbying groups we have with the CEOs in the industry. Bob was ready for that transition and he had prepared me. I was running around with Bob meeting with investors and doing sort of the Wall Street CEO side of the job for a decade before he turned it over to me. So Wall Street knew me, I think they were expecting it. He did a very good job preparing everybody for this. And then once it happened, he was a great partner and he made it work and it's been incredibly successful.

Matt Slepin:

Yeah. Passing the baton graciously is really, really hard. And oftentimes, it takes two failures before the person really let go and let the next person do it, or they know that their legacy is risky based upon that baton passing. I'm also thinking easier for someone like Bob, because his ego had already gone to other places. His ego wasn't in one spot because of the charitable work and probably other business stuff as well, but it wasn't dependent upon holding on that tightly.

Douglas C. Yearley, Jr.:

I think that's fair. And I think notwithstanding Bob's high charging personality and level of intelligence.

Matt Slepin:

Right.

Douglas C. Yearley, Jr.:

I mean, he's competitive, but he doesn't have an ego. He wasn't worried about no one's going to think it's my company anymore. That name is on the door forever, and it worked. I did my part, but I just did my job. He made sure that the transition was smooth.

Matt Slepin:

Yeah. So let's change the subject and let's talk about the challenges and opportunities of home building today and how the market has changed, particularly, since COVID. I'm curious about... And headlines or supplied chain headlines are housing affordability. You talked about lobbying. I want to talk about NIMBYism. So let's kind of unpack some of those subjects, but what's the, particularly, supply chain, people be curious about that right now.

Douglas C. Yearley, Jr.:

Yeah. It's like nothing I've ever seen. Everything you read is true. It takes us four months to get a garage door, it takes us three months to get an appliance, things you took for granted, windows. It's a struggle. And part of the struggle is sales have been so strong that we're all building many more houses than we were two years ago, but it's going to take time to figure out. We just had our earnings call last week. It's taking us two months longer to build a house today than it was a year ago, two months. And through the worst of COVID, it wasn't just supply, right? Our employees were sick or home quarantining, building departments of towns, building inspectors that come out and have to do the many inspections that occur through the build cycle, we're backed up or unavailable, getting a certificate of occupancy to close a home out of a township was backed up.

I mean, the layers and layers... Truck drivers, right? I mean, just so many layers. That's all easy. We're not having the issues with inspectors, with employees, with town clerks, with CEOs, but manufacturing plants are just taking longer to get caught up. We know what the ports look like in Long Beach and LA and Savannah and other places, and how backed up they are. We know we don't have enough truckers. And you layer under that, the tremendous demand, therefore, more houses being built. And we got ourselves problems. Boise, Idaho as an example, where we built seven, 800 homes, tremendous market. For months, we couldn't get roof trusses, because the little metal triangular roof plates that you stamp onto the components to create the truss were unavailable. And then we solved that and we couldn't get flexible HVAC duct work that is needed to roughen of the heating and cooling system.

You've heard the expression whack-a-mole, you smack one mole down, another one pops up, famous old game. That's truly what's going on, market to market. You think you solved it, and something else pops up that is brand new and it may be very local. It may only be to one specific market. So we're fighting it, all the builders are fighting. It's extended our delivery times. We've put more and more of our communities onto allocation, even though demand is overwhelming. Many places, you can't buy a Toll House right now because we've gone to allocation to slow down sales, not just to take advantage of price, which we certainly are, but to try to get caught up because the backlogs are so long from the houses we sold that we just need to get caught up. So it's going to take time, but we have assumed there's no real improvement through the course of '22. I do think as we move beyond the acute stages of COVID, there's going to be some modest improvement, but it's just going to take time.

Matt Slepin:

And do you wind up... Listen, I want to talk about technology towards this and different kinds of building materials. I want to talk about vertically integrated. Do you wind up ever controlling your suppliers in a way that you didn't before, or manufacturing some of the components yourself?

Douglas C. Yearley, Jr.:

Yeah. Technology's hitting the industry at a pretty fast pace right now, which is encouraging. We have panel and truss plants that serve the middy, Midwest and the Northeast, Mid-Atlantic, where we manufacture wall panels, roof trusses, distribution center for windows, doors, millwork. They're all on rail lines. So we're buying lumber by the rail car. That has helped us. It hasn't fully solved the problem, but it's helped us. But greater technology, there's 3D printing that you read about where homes are going to come out of a 3D printer with concrete. There's robotics, where homes can be built in factories and come out what we call closed wall, which means it's not just a traditional wall panel, but it's got plumbing pipes, electric wires, and HVAC ducts, and insulation, and drywall on front and back.

Matt Slepin:

Right.

Douglas C. Yearley, Jr.:

Your drywall on front and outside sheathing on the back, and the wall panels, literally, all those components clipped together, whether it be the electric wires or... And all of that is moving quickly, but it's not yet ready for the production builders because of expense. And one of the big expenses, of course, in this business is transportation. You got to move these components from a factory to your job site, which if it's not relatively close by, that's expensive and difficult. And so I'm hopeful for some big technological improvements in how we build houses, but it hasn't come quite yet. When lumber got high last year... Now, of course, it's going back up. But we started using light gauge steel framing in some locations, which we never would've done before now. That wasn't done in a factory, that wasn't done through a robotics line, but it could be. And so a couple of the early robotic or manufacturing companies have failed.

Matt Slepin:

Yep.

Douglas C. Yearley, Jr.:

But the whole industry is very focused on it. Many of us are invested in it. We all have our own little venture capital money internally... Not all of us, but some of us have little venture capital money here and there that we're investing in a variety of different tech companies. It's not just for construction, there's sales and marketing technology with software.

Matt Slepin:

Right.

Douglas C. Yearley, Jr.:

There's fintech, financial tech, that goes to mortgage and title processes. There's smart home technology.

Matt Slepin:

Both kinds.

Douglas C. Yearley, Jr.:

That goes into how a home operates. And so we're all, or many of us are invested in it. We're keeping a close eye on it, but we're not there yet, but we're getting closer.

Matt Slepin:

But not there yet on the componentized building component parts of it. You're probably there on the smart doorbells at this point in time.

Douglas C. Yearley, Jr.:

That's correct. Absolutely.

Matt Slepin:

That's easy.

Douglas C. Yearley, Jr.:

That's right. All of that works... It's interesting. In the old days, we had to pre-wire houses for alarm system, so-

Matt Slepin:

Right.

Douglas C. Yearley, Jr.:

You had to do it at framing. And now, most of this stuff is plug and play, which means that the builder doesn't have to do it. The builder can do it, but it fairly easily can be done after closing because you don't have to tear walls apart.

Matt Slepin:

Right. Is there a differential in these, particularly componentized building technologies, does that lend itself equally to your end of the more luxury side of the market versus the total commodity side of the market?

Douglas C. Yearley, Jr.:

Well, I think it should lend itself more to us because of the discretionary income, the wealth of our client. They're building their dream home with Toll, they're building their second, third, fourth home in their life, that move-up house or the move down house as a baby boomer, and they're going to put more into it.

Matt Slepin:

[crosstalk 00:48:38].

Douglas C. Yearley, Jr.:

So I think when you go to our design studio, as I mentioned, we have these regional design studios that are pretty spectacular. We have smart home technology rooms where you go in and you see the opportunity to really do quite a bit with your house if you're so inclined, and I do think we're going to capture more of that.

Matt Slepin:

Absolutely. And that begs the question of environmental upgrades. So talk about that part.

Douglas C. Yearley, Jr.:

Sure, so that's coming fast. California leads the way, always. We do solar on almost all of our homes in California. I mean, it's offered as an option everywhere, in many cases, it's standard.

Matt Slepin:

Got battery backup.

Douglas C. Yearley, Jr.:

Battery backup in the garage.

Matt Slepin:

Yeah.

Douglas C. Yearley, Jr.:

So when your house is not generating or demanding electricity, the sun is still shining and that electricity is being stored in what looks like a hot water heater in your garage for a brownout day or a high use day. It's coming quickly. Some of this is driven by where the sun shines the brightest and the warmest.

Matt Slepin:

Right.

Douglas C. Yearley, Jr.:

Some of it is driven by state tax credits, because some of this is it runs state to state. So it'll kind of roll through the country, it's not going to be a snap of the finger and it comes all at once. But it's moving west to east, and we're all over it. We market it and you're going to see more and more of it from the industry over the next couple years. But just look to California to see what's coming, because they are clearly leading in this way. Now, they're mandating it.

Matt Slepin:

Yeah. I'm curious about mandate versus choice. So when people have choice, are they spending the dough and what's the payback on the spending the dough, or do they not care? How's that fitting into your customer? Because I know you care about that.

Douglas C. Yearley, Jr.:

Great question. And it just depends on... The payoff can easily be three to five years. So not everybody is willing to write that check up front, to get state of the art systems, if that's the payoff, and others are. It just depends on the client. But for some, it's a tough sell, and for some, it's a no-brainer. And part of it may go to how long they think they're going to be in the house. [crosstalk 00:50:54]-

Matt Slepin:

It's a Toll Brothers house, they're going to be there a long time.

Douglas C. Yearley, Jr.:

Then absolutely, they should do it.

Matt Slepin:

Let me ask a question. It's funny. I often think about an end state, and so I make assumptions about certain business subjects that you go, "Okay, in five years, you know it's going to be this way. In 10 years, you know it's going to be that way." So I'm assuming in 10 years, most houses in this country are going to be built carbon neutral. And of course, they'll have all the technology because most people love that. But I'm assuming that it's going to be a carbon neutral country then, and that you then have to be preparing your company and what you build in your products for that end game in 10 years or seven years or whatever the number is.

Douglas C. Yearley, Jr.:

Yeah. I don't know the date, but I agree with you. There's houses today that are there, but there's many that are not. It's going to add expense. It's going to add expense and not all customers are going to see the value. So we have a huge affordability issue in this country with housing.

Matt Slepin:

Yep.

Douglas C. Yearley, Jr.:

I get it. The climate change is the most important thing, right? That we're facing long-term. And so housing affordability is, while it's important, you have climate change that is above it in importance. But we are just trying to manage the added expense to the home and the added value that the client perceives from those changes. And over time, that's going to become more obvious. But right now, as I said earlier, for some people, it's a tougher sell.

Matt Slepin:

Well, the technologies will be developed to make... So prices will come down as the west demands it, then prices come down as the units of... Creating those things at scale makes the price come down, then it'll start working elsewhere.

Douglas C. Yearley, Jr.:

Absolutely. And there should be more innovation and there should be more companies building battery backup systems for the garage and the solar tiles that go on the roof and all the wires. And I mean, the more attention that's brought to it, the more demand there is for it. You would think there's going to be more innovation and ultimately lower prices.

Matt Slepin:

Yeah. So you mentioned the word affordability, you're America's luxury builder. We've talked a little bit about your coming down in price point, and you also mentioned the word lobbying groups in the industry. So you're a big representative of the overall industry. Housing affordability is something we talk about on Leading Voices all the time, it's a passion area for me, but it's also a challenge for our industry. Comments on how you speak to those topics, particularly as America's luxury builder.

Douglas C. Yearley, Jr.:

That's a great question. We recognize that what we sell is a discretionary purchase for most people. It's a luxury good. And so we are buying land in locations where the land is more expensive and we are building bigger homes with more features, which certainly drives the price up.

Matt Slepin:

Yep.

Douglas C. Yearley, Jr.:

The affordability issue however, we're in the food chain so our buyer has a home to sell, and the buyer of their home may in fact have a home to sell. And when you look at certain markets that may have high levels of regulation, may take much longer to get land approved. You may not be allowed to build as many homes as you want to build, which can help bring the land cost per lot down. These layers of regulation can add significantly to costs.

Matt Slepin:

Huge.

Douglas C. Yearley, Jr.:

That layered on now supply chain issues and the price of lumber. I mean, there's an 11% tariff on Canadian lumber. It was 19%, not too long ago, until it got cut to 11. What does that do to the American mills? They can raise their price 10 and a half percent and be competitive. We've had discussions in Washington DC about that tariff. We need Canadian lumber. They're not undermining the US mills. The US mills cannot-

Matt Slepin:

Keep up.

Douglas C. Yearley, Jr.:

... provide all the lumber we need. 40% of Toll Brothers lumber comes from Canada. It's not because it's less of expensive. It's because the US mills can't give us what we need. The Canadian trees grow in a colder climate, therefore they grow slower, therefore the lumber is denser and of higher quality. And certain components of the house require higher quality lumber, some of the structural components. So there's issues there that I'm not sure the administrations have fully appreciated when they just quickly said, "I want to support US jobs. We're going to tariff Canada." So I didn't directly answer your question about being a luxury end of it, but I'm very involved in all of these efforts down the food chain in price, because it affects all of us.

And between government oversight, government regulation, the burden placed upon us financially to get our land entitled and get roads put in and get building permits to then start building in some places is adding to the problem. And then I mentioned, of course, the lumber issue has been acute of late, but it's a big issue. This country wants... I think everybody agrees home ownership is a great goal of Americans and we run mid sixties percent of people that own a home. And I think that's healthy and it's great, but it's becoming more and more expensive. And now, you have apartments up 25% in rent.

Matt Slepin:

Right.

Douglas C. Yearley, Jr.:

And so that 35% that rent are feeling the pain too, so it's a tough one.

Matt Slepin:

Yeah. And when you think of housing affordability, and then you also think of communities that have banned single families owning at this point, because that's what the paradigm has been, maybe you feel attacked, I don't know that. Or you're building where that's not the case, but we also started the conversation talking about the urban fabric and walkable neighborhoods. So there's a range of housing options that we need to build to get to the overall supply need we have in the country and also affordability issues. Any comments about all those things together, which conspired to make housing just cost more.

Douglas C. Yearley, Jr.:

Yeah. Toll Brothers was built in the suburbs of Philadelphia and Princeton, New Jersey and Fairfax County, Virginia where we were taking farms and getting approvals for one half and one acre lots.

Matt Slepin:

Right.

Douglas C. Yearley, Jr.:

These are 20,000 to 40,000 square foot lots. And lots of people were moving out and the schools were great and it was classic sort of outer circle, suburban living. And there's still some of that, and we certainly build some of that, but there's definitely opportunities and more interests. And towns have more interests in bringing some of that back in with some higher density. We're buying office buildings in the suburbs now that are obsolete and tearing them down and building higher density town homes in great infill locations that are more connected to work and to retail, restaurants, lifestyle.

And I'm seeing more and more of that around the country, that helps somewhat with affordability because we can get higher density and therefore, that can pay less for the land, but it can still be a battle. There's the not in my backyard mentality is all alive and well, towns don't want more school kits. So one of the most successful entitlement strategies we have is to take a piece of land that could be built for 50 or 100 half acre single family lots with two and a half school kids per home and go active adult.

Matt Slepin:

Right.

Douglas C. Yearley, Jr.:

55 and over amenitized community, no kids, tax rateable. You can prove it out as a financial gain to the town, much you could in office building because you don't have the school kids, you don't have a lot of stress on town services and towns will go for that. You get a higher density, we can bring in homes for a little bit less money. So there's still long drawn out approval process. I respect it. I understand it. We don't March into a town and tell the town what we're going to do on that piece of land. It's a collaborative process, but I think more infill connected higher density is a really smart solution.

Matt Slepin:

It's going to have to be. It's interesting. One of the leaders of the national YIMBY movement, the yes in my backyard movement was on the podcast a month ago. And you should take illicit because they're your allies in all of this. Also, on that senior housing, if people are moving into the over 55 community, they are letting their houses now be used. They're selling their homes to afford that. And then that's going to a younger family and is probably in an infill neighborhood. So good public policy. We're going to wrap up shortly, but one thing I think about when I think of home building is I think of it less as a real estate business. I think of it first as a manufacturing business. And now, I'm thinking of Tim Cook when we had all of our conversation before about supply chain. I'm thinking it's a consumer business. And maybe third, I think of as a real estate business. Talk about that observation and how that fits how you get to run this company, which we've just been talking about for an hour.

Douglas C. Yearley, Jr.:

Yeah. So we are a production home builder. As I said earlier, you can't come walking in with your architect and build your architect's home on our land. So we are very focused on manufacturing efficiency technology. It's just more complicated with us.

Matt Slepin:

Right.

Douglas C. Yearley, Jr.:

Because of how we build the home. We're very focused on the consumer. Bob Toll said, many times in the past, "Toll Brothers is a marketing company that happens to be a home builder." We are very proud of the experience you get, whether it be on our website or when you visit our model homes, visit the amenities within our communities, the quality of that, the way we market it and merchandise it to the client is super important for us to continue to get the premium. But in the end, you said the third prong being a real estate company, we're only as good as the land we buy. And we are very, very focused. Everybody in senior management came up to the land side.

Matt Slepin:

Yeah.

Douglas C. Yearley, Jr.:

At one point or another, it's what I did. We have great land teams in every market. We talk about Toll Brothers buys land at the corner of Main and Main, because at our luxury price point, you better be at Main and Main. Well, as we've widened that net, maybe it's not always right at Main and Main, but it's still... We're very, very focused on how we underwrite land, how we evaluate the opportunity, how we're creative in the land planning, so the community doesn't look like cookie cutter.

It is different, but ultimately, the location of that land, which goes to the real estate side of what we do, is what ultimately drives our success. If we buy land, right, I can get us through a bad sales manager or maybe even some bad architecture, but if we buy land wrong, I don't care how good your architecture is or how good your sales team is, you will fail. I think number one, is our ability to keep buying land at the corner of Main and Main throughout the country to grow the business, because the marketing side and the manufacturing side, that'll fall into place.

Matt Slepin:

And it's an interesting question though, because you're not entirely... You're in the home building business, not the placemaking business and not the community creating business. And main and main shifts around from time to time. The there there becomes created elsewhere that you didn't think it was going to be.

Douglas C. Yearley, Jr.:

Correct.

Matt Slepin:

And we started this conversation talking about this place I visited in Bend, a new urbanist community. You still have to buy in the right place and know where it's going to happen, where the Main and Main is going to be, if it's not yet right now, so-

Douglas C. Yearley, Jr.:

That takes many years of experience. It takes deep, deep analysis. It takes great consultants. It takes really smart people studying data and trends.

Matt Slepin:

Yep.

Douglas C. Yearley, Jr.:

And it also takes some guts, and it takes... You just got to feel it and you got to trust it because it's never 100% obvious. But if you do your homework and you're diligent and you're careful... We are very careful. We are not pioneers. We'll be the second one in. And we're okay missing that home run as the first one in, because we know it can be a strikeout. We'll take the doubles and the triples, but it's just a lot of hard work and diligence and staying on top of trends and staying on top of migration patterns, but in the end, you just hope and trust that you're right.

Matt Slepin:

I do have a last question on every Leading Voice is your advice to a young person getting into the real estate business.

Douglas C. Yearley, Jr.:

Well, I'm going to give him the advice of what happened early in my career when Bob Toll threw everything he possibly could at me, I embraced it. I asked for more opportunity. I said, "Hey, Bob, I think we should be in Chicago." He said, "My boy, jump on a plane and go." And I never once... This is my second job in my life. I was a lawyer for four years and I did this. I never once walked in and said, "Hey you're throwing all this stuff in me and where's the raise?"

I just worked hard and trusted it would work out. And that instant gratification, you got to sometimes back pocket that and just keep... If you like what you're doing, just keep doing it, work hard, ask for more opportunity, take it on. It's all going to work out and you have to be patient. But once you get real estate in your blood, boy, it's just so much fun. I just can't imagine. I mean, the deals, the ability to do deals, that's how I started. And so the brand and walking in our beautiful communities is... I love it, and the people, but the deals.

Matt Slepin:

The deals.

Douglas C. Yearley, Jr.:

[crosstalk 01:05:17]. We have 80,000 lots. We spend over a billion dollars a year buying land, and every deal has its own story and its own nuance and negotiation, and there's just nothing like it.

Matt Slepin:

It's the most interdisciplinary business I know, because you can't at one point brag about the deals, but then also talk about all this customer stuff and all the supply chain stuff we've talked about. Real estate's unique that way.

Douglas C. Yearley, Jr.:

It really is. You're right.

Matt Slepin:

But I want to applaud your advice to put your head down, work hard, find passion in it. Don't ask for a raise, earn a raise. It's perfect. All true. Doug, thank you very much. This is a delightful conversation. Next time I get to Philly, I hope to see you.

Douglas C. Yearley, Jr.:

Thank you. It's been a real pleasure.

Matt Slepin:

Thank you for listening in to Leading Voices. And I hope that you enjoyed today's episode. I have a request. If you enjoyed the episode and found it to be valuable, please share it with a friend or two. If they're podcast wary, take their smartphone in your hand and subscribe for them and teach them to listen. You'll change their life. Seriously, thanks for listening and keep in touch. You know you could reach me at matt@terrasearchpartners.com. See you next time.