Fabricating foundation for growth

Former banker puts custom home business on right path by shifting focus amid housing downturn

Amir Khosrowshahi of Protege Homes: 'It's difficult to ask an employee to drive 150 miles. But for me, I can do what it takes.'

Because Amir Khosrowshahi started Protege Homes in 2006, just before the housing market hit the skids, the first few years of the custom homebuilding company's life were about survival. Now, with the housing market finally showing signs of stability, Khosrowshahi can turn his attention to growth.

Eventually, the company will be able to bulk back up from what has become a one-man operation to an enterprise with a staff of full-time employees. Khosrowshahi learned the first time around what kind of employees he needs and which positions he can do without.

When he started Protege Homes nearly five years ago, Khosrowshahi had two administrative employees and three employees in the field: a foreman, a superintendent and a salesperson. But Khosrowshahi, who had a strong background in the construction industry, found himself redoing much of the work himself.

"I had to always double-check and triple-check the work that had been done," says Khos-
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rowshahi, who entered the homebuilding industry as a laborer in Rhode Island after leaving a job in international trading at Chase Manhattan Bank in New York. "I felt like I could just do it myself on a smaller scale."

So Khosrowshahi let the employees go and began running the entire company himself by scaling back to building only one or two custom homes a year.

Khosrowshahi says he is happy to manage the construction process as Protege Homes shifts into growth mode. In fact, he recently replaced a faulty door chime on one of the company's homes himself, rather than call on a subcontractor.

"It took five minutes for me to do, and I knew it was done right," he says. "There are so many aspects that I'd rather just do myself."

But now that the housing market appears to be ramping back up, Khosrowshahi plans to eventually bring some administrative employees back into the fold to handle the back-end functions. He'll need the help, considering that the company has branched out considerably from its roots as a custom homebuilder.

REMODELING SURGE

While Protege Homes still specializes in custom homebuilding, mostly on a contract basis, the housing market crash ended up thrusting the company into the speculative homebuilding business, which, by chance, led to remodeling jobs.

As the economy headed deeper into a downturn in 2007 and 2008, Protege Homes began building a $1.15 million speculative home in the Memorial area, which sat on the market for a year and a half before finally selling for $935,000 in November 2008. But instead of staying idle during that time, Khosrowshahi actually started work on a second speculative home in the same area, and this one sold in just four months. It also led him into a new line of business.

"People saw my name on the spec home and they liked the way the work looked and the job site looked, so I started getting calls to do remodeling work," Khosrowshahi says. "And without warning, I had entered the remodeling market. It wasn't something I had wanted to go after, but it was paying the bills and helping support the other home that was just sitting there."

The remodeling side of the business took off so quickly that Khosrowshahi expects to complete six such projects this year, as well as one contract custom home. Protege Homes' remodeling projects range in scope from about $30,000 to $100,000.

In addition to pushing Protege Homes into the remodeling industry, the recession also sent Khosrowshahi in another new direction — construction of lower-priced homes in the suburbs surrounding Houston. As a result, the company's portfolio now includes a pair of $200,000 homes, one in Brazoria and another in H剩ncie. The company had decided that a 9-5 job in a large city wearing a suit every day was just not for him, he says. Khosrowshahi took on every task related to building a home, including digging, laying pipe, framing, installing tile, painting and reading blueprints. He also learned what happens on the business side when times get tough.

After about two and a half years, the housing market in Rhode Island hit hard times, and Khosrowshahi was laid off. He moved to Houston in 1991 on the advice of an acquaintance, who hired him to work in a supervisory role for his homebuilding company.

It was there that he got exposure to other industry-related activities such as buying and selling. He learned what it takes to be successful in the industry. This is all I know. The construction industry is my life, so I knew I had to stick with it."

Khosrowshahi's Cincoita says Khosrowshahi made all the right moves to maneuver through the downturn and it's finally paying off.

"There are all types of builders out there," Cincotta says. "There are the aggressive ones that want to get as much business as they can and fill it as inexpensively as they can. There are the ones that try to get a good product out there, and people appreciate a good product, especially in these times."

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