

BIG BUILDER

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Could something as mundane as jobsite safety be big builders' next competitive edge?

Bluffton expands, aiming to steal new-home buyers from neighboring Hilton Head.

Connectivity is essential but elusive. Builders have the will, but not the way.

SHUNNING THE SUN BELT, YOUNGER ACTIVE ADULTS
OPT FOR THE CHILLY CLIMES OF HOME.

NORTHERN EXPOSURES

Steven Klar, president,
The Klar Organization

Northern Exposures

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With family and friends nearby, active adults shun the Sun Belt and just stay put.

By Pat Curry

The Waterways at Moriches doesn't have a multi-million dollar clubhouse, concierge service, or a personal trainer. The winters on Long Island in New York can be miserable; the summers worse. The traffic is horrendous, and so are the taxes.

So why does builder Steven Klar have a list, as he says, with hundreds of names on it for the final 56 units? One word says it all: grandchildren.

Keep the sunshine; keep the palm trees. Nothing even comes close to being in the stands for every Little League game or having the whole family over for Sunday dinners.

"We don't have the land mass a lot of Florida and Arizona destinations have," says Klar, president of The Klar Organization. "Right now, we're in the middle of one of our largest projects, 400-something units. We can't provide golf course communities, but people are glad to be close to home. As long as you give them two bedrooms and two baths, they're happy. The demand is overwhelming."

Simply put, Klar's buyers don't want to move. They're ready to be rid of the big house, shoveling snow, and cutting the grass, but not if it means leaving family, friends, their doctors, and the local grocery store.

Benchmark Builders found the same thing in Delaware. So has Villas of America in Illinois, and K. Hovnanian in Virginia. Heritage Development is banking on it in Wisconsin, Indiana, and Minnesota.

It's a trend that can't be ignored because it represents the "vast majority of the marketplace," says Tim Sullivan, principal of The Meyers Group, a market research firm in California. "Given the choice, most people would stay near home."

Staying put

Analyzing U.S. Census data, The Concord Group, a research firm in Newport Beach, Calif., found that only 4 percent to 7 percent of Americans 55 and older move in a given year. Of those who do move, some 75 percent stay in the same state, and about 65 percent of those who stay in the same state, stay in the same county.

"The trend of age-qualified buyers in the 1980s really only targeted about 10 percent of the market," says

Richard Gollis, a principal at Concord. "The question becomes, 'What do you do with the other 90 percent?'"

You go to them.

"Huntley, Ill., was one of the last places I'd ever imagine a Del Webb Sun City," says Margaret Wylde, president and CEO of ProMatura Group, a research and consulting firm in Oxford, Miss., that works exclusively in the mature market. "We did the research at the site. When I was standing in that corn field, it was hard to imagine 6,000 homes there."

Whether there are major developments or small infill projects of 50 to 100 houses, Wylde says the market is huge for active adult communities in virtually any major city where large numbers of people work and raise families. In fact, finding a job may be more important to active adults than ever. A recent survey by Pulte and ProMatura shows that more retiring baby boomers want to keep working.

Shea Homes is targeting this active segment with a new product it has branded Trilogy. Slightly younger than Shea's traditional active adult buyer, and certainly more youthful, these buyers want their existing social circle and a resort lifestyle, too. Trilogy's tag line says it all: "A community for active adults ready to engage life with enthusiasm ... adventures to share, skills to learn."

Trilogy projects are in the works in five western markets, including Sacramento, Calif. The newest, in Seattle, is in the pre-model phase, with 30 sales as of March 1. All 30 buyers came from the immediate Redmond area and before buying had researched, if not visited, several Sun Belt communities.

"Not everybody wants to move all the way across the world," says Wylde. "They just want a home that's easier to take care of, nicer bathrooms, all on one floor, and that is pretty. They also like the social amenities. It's an easy way to have friends and get together with people."

The extent of the demand remains to be seen, says Rick Andreen, president of Shea's active adult division. "We know these communities need to be well located in established, close-in areas if they're going to draw buyers from the immediate neighborhoods." Buyers consider a move of more than seven miles a relocation, he says. "If they're making that much of a lifestyle change, they'll start considering leaving the area."

Different dynamics

Active adults' interest in staying near large urban centers means looking differently at amenities, design, and land. Site selection criteria changes because the buyers don't need the range of services that are often touted at a traditional resort-style community.

"In Arizona, they're starting new," explains Paul Bessler, vice president of market analysis for Del Webb. "You need to provide places of worship. The need for doctors and dentists is different [when someone pulls up stakes]. If I'm staying in the same general area, I may be keeping my own."

Higher land costs in metropolitan areas may limit the size of the communities that can be built. That affects house design because the grandchildren may be there every weekend instead of once a year, Bessler says.

Plus, it changes the kinds of amenities that have typically attracted buyers. Already connected to the community, they may belong to a tennis club, a gym, a garden club, or a community theater group. In focus groups, real estate developer Heritage Development of Indiana found that while prospective buyers were willing to pay for the perceived security of a gated community, they weren't always interested in having a clubhouse.

"They want to go do their own thing," says Dean McFarland, the firm's vice president. "When they go play golf, they want to go to different courses."

Benchmark Builders in Wilmington, Del., has found the same dynamic. Building infill projects of 50 to 140 units, they generally limit amenities to a 3,000-square-foot clubhouse with a kitchen, a meeting area with big-screen TV and fireplace, a billiards room, an exercise room, and a patio area.

"It turns into a place for them to socialize, but they don't have to spend a fortune to keep it up, and they don't feel obligated to use it," says vice president Steven Bomberger. "It's there at their disposal if they choose, but they don't really look to the clubhouse to keep them occupied."

That's not to suggest that there's a one-size-fits-all model. The new Del Webb Sun City Huntley and the K. Hovnanian communities near Washington are as amenity-rich as any in a resort destination.

Marketing is another function that changes with "stay-at-home" communities. Dee Minich, senior vice president of sales and marketing for K. Hovnanian's southeast region, has more than 2,500 people on the prospect list--95 percent of them from the local area--for Four Seasons at Historic Virginia. Those individuals receive direct mail, as do past K. Hovnanian buyers. All the marketing materials reference the Web site, and TV ads are strictly local to the D.C. market.

"It takes time and energy to stay in touch, but it shortens the time frame for the decision-making process," Minich says of the prospect list. "You get information out to them. Even a year in advance, we do 'coming soon' ads."

Peter Studl, managing director of the Illinois-based Villas of America, says that his market is so intensely local--typically a three- to five-mile radius--that with income and age as qualifiers, he can identify his potential buyer "almost to the household." Plus, because Villas of America communities have garden themes, they've gotten a lot of press coverage from planting days events. Their South Holland community has been featured three dozen times in the local press, he says.

Bigger pie

The emerging popularity of communities near urban hubs nationwide, along with the continuing appeal of resort destinations such as Arizona and Florida, promise ongoing active adult opportunities. Bessler says Del Webb's research shows an increase in both the number of people who want to move out of state and those who want a more intimate feel in their own backyard.

"With the size of the market, the pie has gotten so much bigger," he says. "There's a sustainable demand now for both types of communities."

Sullivan believes that future projects will need to be as unique as the markets they draw from. "I think we'll see attached and detached, rural and urban, small lots and larger lots, traditional single-family and vertical," he says. "The key point won't be product, it will be responding city by city to the demands of people who are local, what they want to do and are willing to buy as they shift their needs with aging."

Wylde says she foresees challenges in finding affordably priced land near major cities and achieving the right mix of amenities and services buyers are willing to pay for. For the builders who can do both, she predicts a long, healthy--and profitable--life. "People pay a premium to be in these homes and communities," she says. "I think it's very up and coming."

She doesn't have to convince Klar. He's just opened another townhouse community, and he has 400 buyers ready to move in.

"We haven't been able to satisfy the need," he says. "So few projects are coming online, it's been good for us."

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