

## ACTIVE ADULT COMMUNITIES

### A Growth Industry

Baby Boomers have had, and will continue to have significant impact on the housing market. As pointed out by our intrepid Editor in the December issue, the most important metric from the developer's perspective is demand. To reiterate: The number of persons turning 60 per day between 1946 and 1964 provides a tangible sense of potential demand expansion over time. The numbers of prospective buyers that developers saw coming through their marketing systems in the year 2000 is linked to the fact that there were 7,100 births per day in 1940. In comparison, the developers' experience with prospective customers last year is attached to the fact that there were 7,830 births per day in 1945. Looking forward, the rate that people will reach 60 between 2006 and 2010 is based on a birth rate that averaged 9,943 per day. Said another way, the level of 2006-2010 demand will be 27% percent greater than that during the previous six years (2000-2005). And it does not stop there.

The period between 2011 and 2017 will be the beneficiary of an interval (1951-1953) when daily birth rates grew through 10,000, peaking at 11,781 per day in 1957. This potentially represents a 12% increase in demand over the 2006-2010 period, and a 42% increase over the 2000-2005 period. This fundamental component of Baby Boomer metrics suggests that the demand side of the equation is in a position to take care of itself, and it will be up to the supply side to avoid creating conditions of disequilibrium. But clearly, Active Adult Community products will be well received.

In 2011, the oldest Boomers will turn 65, and on average, can expect to live to 83 while many will continue well into their 90s. This broad age spectrum brings with it varying levels of capability and wellness. Continuing care retirement communities (CCRCs), offer a combination of independent and assisted living housing and skilled nursing services within the same campus. This type of retirement housing is often linked with university or church affiliations. Presbyterian Homes of Georgia has plans for an \$80 million retirement village in Oconee County. The project will include residential cottages, cluster homes and an apartment building which will jointly house up to 400 residents. The relationship between senior housing and academic institutions has been strengthening as mature buyers look for education and

Westcott Lakes at SouthWood in Tallahassee, FL is being sponsored by Florida State University (FSU). The community will be built by Praxeis LLC, a Jacksonville company specializing in upscale CCRCs trademarked as Life Fulfilling Communities (LFC). The company is also responsible for Oak Hammock at the University of Florida (UF). In both cases, residents do not own their units, but have a lifetime contractual arrangement for a fee ranging from the low \$100,000s to \$500,000. The Hyatt Corporation's Classic Residences division has been developing CCRCs since 1987 and is reportedly leasing 22 acres from Stanford University for a CCRC to include 388 independent living apartments, 106 assisted living units and a variety of amenities. The upscale project is slated to open next year and entrance fees are expected to range in the \$600,000 to \$1.7 million range.

Several resources suggest that there are 50-60 college-linked communities and at least another 30 in the pipeline. In addition to FSU, UF and Stanford, prominent campuses include the University of Michigan, Cornell, and Dartmouth. More traditional university-related residential development is also gathering momentum. Hilton Head, South Carolina developer Melrose Company is responsible for Traditions Club at Texas A & M and the Georgia Tech Club outside of Atlanta. Both are upscale, private golf communities offering predominantly custom home building lots with average residential values in the \$600,000 to \$1.0 million range. Ginn Resorts' purchase and repositioning of the former University Club in Blythewood, SC has had success with nearly 800 reservations achieved at a weekend launch event.

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## *Trends In . . .*

### *The Aging Consumer*

One more time: By 2010 there will be nearly 70 million people **over the age of 50** residing in the U.S. Further, the number of Americans between the ages of 65 and 74 will swell by 2.5 million to **21.5 million people**. Now what makes anyone believe they can make sweeping generalizations about a segment that homogenous? Two consumer studies demonstrate this conundrum quite well.

In 2005, ERA Real Estate surveyed 1,500 people, ages 50 and older and determined the following with regard to retirement expectations.

- 8% of those considering a move over the ensuing five years indicated that they "might" consider purchasing a home in an active adult community.
- 61% were considering purchasing a single family home.
- 11% felt their current home was too big.
- 25% felt their current home was too small

For perspective, 1,500 respondents represent less than .00003% of the 50+ population. Pulte Homes also conducted research last year, interviewing 1,814 respondents between the ages of 41 and 69. Results included:

- 41% - 47% would definitely consider moving into an active adult community (AAC), but a sizable portion (31% - 38%) would not. The percentage range reflects a response breakdown by age, e.g. 41% of 41-49 year old respondents were likely to consider an AAC while 47% of 50 - 59 year olds and 46% of 60-69 year olds felt the same way. Similarly, 38% of 41-49 year olds were least likely to consider moving to an AAC, while 31% of 50-59 year olds and 35% of 60-69 year olds were unlikely to consider the AAC an option.

This singular focus speaks volumes as to the diversity of the market segment we lump together as "Baby Boomers". Other disparate factors revealed by the study speak to the growing number of non-traditional households inherent in the segment. Based on the survey, moving into an AAC while children are still living at home is either unappealing, or due to age restrictions, not an option. Nearly one-third of the respondents had children under the age of 18 living at home and 19% of those in the 50-59 age group reported dependent children. If community age restrictions were not a factor, only 16% of those with children at home would even consider moving to an AAC.

Based on the study, the AAC genre did not appear to have created an indelible perception in the minds of the respondents. Just one-quarter endorsed any one AAC attribute and the younger age groups typically had no opinion on the subject, indicating that accurate and incisive marketing may be lacking. When asked what they thought it would cost to purchase a home in an active adult community, respondent's answers predominantly ranged between \$100,000 and \$300,000, bringing us to yet another valid divergence with regard to Boomer studies.

**Income:** The Pulte study represents a comprehensive examination of the Del Webb target market and provides significant insight into that particular segment. In this regard, respondents typically reported annual income of less than \$75,000. This market segment is clearly the target for products in the \$100,000 - \$300,000 price range. But what of the balance of the pre-retiree and retiree cohorts -- those Boomers that earn more than \$75,000 per year and the 35% or so that would not consider an AAC as a retirement option?

One thing we can tell you, the answers are myriad. To start with, seven out of ten Boomer homeowners prefer a newly constructed home to a previously owned space and younger Boomers are more than twice as likely as older buyers to embrace the look of their childhood home. These factors bode well for new home development. But creativity and extensive options are tantamount to appealing to this picky segment and because Boomers are creating the trends as they move forward, keeping up with them is difficult at best.

On the luxury side, aesthetic qualities like architectural integrity are high on a list of must haves. Semi-custom products tend to reduce the negativity associated with the delayed gratification syndrome and have spurred the detached built-for-sale housing effort considerably in certain markets. Currently appealing designs include Mission, Prairie and Arts and Crafts. Simplicity -- a yen for zen so to speak -- has a cache that may or may not have sustainability but is nonetheless popular -- currently.

Architectural penchants tend toward regional influences as well. A clapboard colonial with a front porch is most popular in the north, while a Mediterranean courtyard villa is dominant in the west. According to one survey, the least popular home style nationwide is the shingled cape cod, but I would hazard a guess that that particular survey didn't include many coastal Massachusetts residents.

Upscale homebuilder Toll Brothers offers a mind-boggling 570 single family models. Their current top seller in the Northeast is a 4,730 square foot, four bedroom / 3.5 bath unit with dual staircases and a double-height family room. The second floor master suite encompasses two walk-in closets, a private den area and a raised soaking tub. Comparatively, their best selling model in Florida is a Mediterranean-style, similarly large two-story, but the master is on the main level. And in auto-crazed California, the most popular model features not one, but two, two-car garages.

Toll is quick to point out that in spite of offering a vast portfolio from which buyers may select their dream home, customization and upgrades remain critical. Perhaps one of the most significant new "Golden Years" trends is the residential elevator. The residential elevator industry has exhibited annual growth in the 10% to 20% range over the past five years and nearly 100,000 have been installed across the country. < >

## The Golf Gallery

**The Business of Golf** – In spite of downward June numbers, the National Golf Foundation (NGF) reports that rounds are up 3.0% year-to-date. Only three of eleven regions are slightly in the red: Northeast, Southwest and Northwest – down 0.63%, on average. The Upper Midwest reports the largest YTD increase (6.9%); the Mid-Atlantic and the Southeast are next in line with 5.5% and 5.7% increases, respectively.

According to NGF's 2<sup>nd</sup> quarter *Golf Industry Report*, the Midwest has the key ingredients to drive rounds volume: High participation rates and abundant golf courses. Illinois, Michigan and Ohio have household participation rates between 22% and 26% compared to the national average of 18.5%. The three states account for 14% of all golf facilities in the U.S. and their residents produce demand for 65 million rounds per year, or about 13% of the U.S. total. In comparison, California's participation rate is lower than the U.S. at 17.2% but still has the largest number of golfing households of any state (2.1 million), producing demand for 46 million rounds at its 928 facilities. The 2<sup>nd</sup> quarter report focused largely on quantifying participation. Based on NGF's data, there are 12.5 million adult Core golfers (those that play 8 or more times per year) and 15.5 million adult occasional golfers. While Core golfer participation fell 2.3% last year, the upper end of the Occasional golfer spectrum (5-7 rounds) increased. The decrease in Core activity was fueled largely by females (-9.0%) and Junior (-7.7%).

Despite the wavering, the Core golfer segment has remained steady at 12M – 13M participants in recent years. The typical Core golfer is a male (81.6%) college graduate, either employed in a professional capacity or retired. Seventy (70%) percent of the segment earns in excess of \$50,000 and age is distributed relatively evenly between 18 and 59, when the numbers begin to decline. Just 27% of Core golfers are retired and Core golfers are more likely to own their primary residence **and** a second home. The average value of Core golfer primary homes is \$317,650 and the average second home value is approximately \$330,000. Twenty (20%) percent of Core golfers indicate they are members of a private golf club and one-quarter predict that they will either remain or become a private club member in retirement. Approximately one-third of Core golfers that are members joined before 1990.

A recent issue of Golf Property Analysts' *NewsLink* speaks candidly to a declining private club segment. "In 1931, private clubs accounted for more than three-quarters (78%) of the golf facilities in the U.S. By 1961, that number had declined to 50% and last year (2005) the National Golf Foundation (NGF) statistics show that private clubs represented less than 29% of all golf facilities in the U.S." The article suggests that membership stability is down: "Waiting lists are shorter (if they exist) and turnover is greater, with the average membership duration from 8 years to 6 over the past 20 years." For a good read and some solid remedial action go to [www.golfprop.com](http://www.golfprop.com) and click on the Spring 2006 issue.

**Hear Ye, Hear Ye!** KemperSports has been selected to operate the golf facilities at the Dorado Beach Resort and Club in Puerto Rico. Kemper will supervise renovation of the four championship golf courses, including the renowned Dorado East designed by Robert Trent Jones, Sr. which was ranked the third "Best Resort Course in the Caribbean" by *Travel and Leisure Golf*. *Golf Digest* has consistently ranked all four Dorado Beach layouts among the top ten in Puerto Rico.

- Nova Southeastern University has purchased Grande Oaks Golf Course in Ft. Lauderdale, FL from the Blackstone Group for an undisclosed price. The property, which is famous as the location for the movie classic "Caddyshack" includes approximately 43,000 square feet of buildings largely comprising the clubhouse. According to Broward County tax records, the course was purchased in 1997 for \$4.1 million by Florida Golf Management, a subsidiary of Boca Resorts. Blackstone picked up the 210-acre facility as part of its \$1.25 billion acquisition of Boca Resorts in 2004.

**Architectural Achievements** – Jack Nicklaus recently celebrated the opening of the 250<sup>th</sup> golf course design in which he has been involved. Dismal River, located in the Nebraska Sandhills, is an 18-hole links-style layout measuring 7,600 yards from the Championship tees. Amenities include an 18,000 square foot clubhouse replete with four bowling lanes, hunting and golf simulators, and a wine room. A second 18-hole layout, a 9-hole short course, lodging, and a world-class spa and wellness center are also planned. Nebraska is the 38<sup>th</sup> state in which Nicklaus Design is represented and Dismal River is the Golden Bear's 208<sup>th</sup> solo design.

- Nicklaus and company is also in the throes of designing their first golf course in Chile. Patagonia Virgin Frutillar Golf & Resort will be the first integrated resort and residential community in the Chilean Patagonia to include a luxury hotel, spa and wellness center in addition to the Nicklaus Signature Golf Course -- which will be exclusively available for hotel guests and property owners. The mixed-use project will comprise more than 400 residential units, a retail village and ancillary recreational and marina facilities.

- Weed Design has completed its land plan associated with the development of a new multi-use recreational project in Plover, Wisconsin. Anchored by two man-made competition water ski lakes, the development will also include a Weed-designed golf course, a 350-room hotel, retail shops, an indoor water park, a winter activities pavilion, and a residential component.

- Donald Trump has selected Wimberly Allison Tong & Goo to create the master plan for Trump International Links, Scotland. The project is planned to include two Donald J. Trump Signature Designs, in association with Tom Fazio II, LLC. A 450-room hotel, 650 private residences, a 20,000 square foot clubhouse and a 10,000 square foot conference center and spa are also planned. < >

## People and Places

U.S. economic growth was widespread in 2005 as gross state product (GSP) grew in 49 of 50 states and the District. The economic outlook for both the South and West looks especially bright as several former achievers continue to build upon their respective industry sector strengths. Florida, Idaho, Nevada, Arizona, Oregon, and Utah have all been cited as having had an excellent 12 month period with respect to employment. Their year-over-year changes and growth rates are as follows:

### Employment Change - 06/05 - 06/06

State	Emp. Chng	% Chng
Nevada	64,500	5.3%
Idaho	31,400	5.2%
Utah	56,900	5.0%
Arizona	122,200	4.9%
Florida	270,900	3.5%
Oregon	55,200	3.3%

From a population standpoint, many of the usual suspects are expected to continue to draw. Phoenix-Mesa, AZ, Los Angeles-Long Beach and San Diego, CA, Las Vegas, NV, Ft. Lauderdale and Miami-Dade, FL are anticipated to continue to see significant growth. Market highlights include:

- **Teton County, Idaho** shares the market with Jackson, WY; the number of homes sold so far in 2006 has surpassed 2005's record which was double the 2004 rate. Idaho's northern markets are hot as well with Kootenai County reporting a 40 percent year-over-year surge in property values. Since 2002, the average home price has escalated nearly 70 percent from \$138,908 to \$232,339. New development in Kootenai County added \$590 million to the county's tax basis, up from \$121 million last year. Pocatello and Boise are seeing significant activity with investors accounting for one out of five purchases in recent months.
- **Mesa, Arizona** is the third largest city in Arizona with a population of approximately 450,000. The Phoenix-Mesa metro recently reported the largest single-family home first-quarter price increase in the nation – 38.4% year-over-year -- and homes are reportedly on the market a meager 40 to 60 days.
- **Park City, Utah** had been considered the affordable alternative to Aspen or Vail, but its current average single family home price of \$1.09 million has altered its market position significantly. Park City exhibited a year-over-year price appreciation of 54 percent comparing first-quarter 2005 to 2006. In Salt Lake City, nearly half of all sellers get all of their asking price; 78 percent of sellers get multiple offers; and, properties are selling within 30 days.
- **Las Vegas, NV** has led the nation in job growth for 13 consecutive quarters. Area builders closed on 18,295 units through the first half of 2006, up 7.3 percent over the same period last year; the median price of a new home was 12.7 percent higher in the first six months of 2006 compared to 2005. Housing supply is abundant with 503 subdivisions being actively marketed compared to 429 last year.

**The Gulf Coast** - The single market to experience negative employment over the last 12 months is Louisiana, which lost more than 175,000 jobs thanks to Katrina and Rita. The American Red Cross estimates that the two storms destroyed more than 350,000 homes and severely damaged another 146,000 resulting in builders in Louisiana, Mississippi and Alabama performing the largest rebuilding effort in recent American history. Approximately 2,200 new condominium and rental apartment units in nine (9) different projects are proposed for downtown New Orleans. One high-rise condominium project was recently approved for the historic Warehouse district. High-rises are particularly popular because of tax credits associated with the conversion of buildings that are more than 50 years old. Neighboring Baton Rouge reports a shortage of nearly 11,000 multi-family units, and the Mississippi counties of Jackson, Harrison and Hancock report 11,500 new condominium products in the pipeline, many of which will be on the waterfront. Mississippi's rebirth is in full swing. The state's first master-planned community, Tradition, will be located in coastal Harrison County (Biloxi). Phase I of the 4,600-acre MPC will feature 955 residential units, a village center and a golf course. A \$68 million, 200,000 square foot expansion of the Mississippi Gulf Coast Coliseum and Convention Center is slated to open in 2008; a \$50 million terminal expansion, designed to double passenger capacity, is underway at Gulfport-Biloxi International Airport; and approximately 20 casinos are under development including the Hard Rock Casino which is scheduled to open in 2007 and Harrah's Casino Resort which plans to invest \$1.0 billion in its Gulf Coast presence. The region's activity is being fueled by the Gulf Opportunity Zone Act, or "GO Zone" -- federal legislation providing significant tax incentives.

**Elsewhere** - Other recently cited hot metros include Charlotte, NC, Nashville, St. Louis, and Houston, where suburban River Oaks' is in high demand. Q-1 home sales in the upscale area rose 28 percent over last year and the median price broke the million-dollar mark at \$1.2 million for a year-over-year increase of 27.7 percent. Comparatively, the average price for a single-family home in Houston has topped \$200,000 for the very first time. While the metro created 68,000 jobs over the last year, its unemployment rate rose to 5.6% in June after a brief stint at about 5.0% in the spring. Western non-metro areas that are purportedly active include: Glenwood Springs, CO and Meridian and Emmett, Idaho. Promising towns east of the Mississippi include Eagle River, AR; Dallastown, PA, Covington, GA and Newark, DE.

There is a new philosophy making headway with respect to the motivation associated with population growth. Traditionally, cities and metros thrived based on productivity; i.e., employment opportunities. The more jobs, the greater the in-migration and the more energetic the development activity. The current theoretic movement focuses more on qualitative aesthetics, defining growth parameters by measuring the attractiveness of a market in terms of consumption; e.g., is the market in question a place where people (consumers) will spend their time and money? Coincidentally, rapid growth continues in warm, sunny locations like California, Arizona, New Mexico and Florida. < >

## *The Bulletin Board*

**Current Climate** – The Fed is breathing easier as the economy slowed somewhat in the 2<sup>nd</sup> quarter resulting in a hands-off of the federal funds rate which remains at 5.25% after 17 consecutive increases. Chairman Bernanke remarked at the July 19<sup>th</sup> meeting that the central bank expects the slowdown to temper the threat of inflation stemming from high energy costs. The Dow Jones responded by surging 212 points to 11,011.

- Real gross domestic product (GDP) increased 2.5% on the heels of a 5.6% increase in Q1. Consumer spending also decelerated, increasing 2.5% in June after a 4.8% increase in May. First quarter estimates show personal income growth of 1.4%, slower than the 1.9% increase in Q4-2005, but at a pace equal to the average of the last three years.
- The Labor Department reports that the economy added 113,000 new jobs in July resulting in non-seasonally adjusted non-farm employment that was 1,728,000 higher than last July. The unemployment rate ticked up to 4.8% from 4.6% in June, but remains below the 5.0% of one year ago.
- Consumer confidence increased slightly in June, for the second straight month, to a level of 106.5.

**Housing** – Quote of the quarter: “The downturn in the housing market so far appears to be orderly.” Ben Bernanke, Chairman of the Federal Reserve.

- While the majority of June's housing barometers (permits, starts and sales) showed signs of a market in transition, housing completions were up 6.4% to a seasonally adjusted annual rate of 2,017,000. This compares to a revised May estimate of 1,896,000. Pending sales also rose in two of four regions: 2.5% in the South and 1.9% in the Midwest. The number of new homes for sale increased to 570,000 in June, representing 6.1 months of inventory.
- The week ending August 2<sup>nd</sup> resulted in U.S. mortgage rates falling for the third consecutive week to 6.72%. The rate is less than a full point higher than one year ago (5.82%). Mortgage rates were lowest in the West and Southeast while the Northeast and North Central regions represented the high end.
- Demand for affordable housing has kicked the manufactured home sector into high gear. Buyers priced out of the site-built communities in Sunbelt markets are again electing to buy the less expensive manufactured products. If you don't believe the industry is in the throes of a renaissance talk to Investor extraordinaire Warren Buffet who, in anticipation of the current situation, bought Clayton Homes for \$1.7 billion in 2003. Since the acquisition, the company has increased its staff from 7,000 to 12,000, and pre-tax earnings were reportedly \$220 million for 2004.
- One St. Petersburg, FL developer is pitching modular condominiums as an affordable solution to the workforce housing crisis. In an area where two bedroom condos typically start at \$250,000, First Dartmouth Development proposes 1000-1500 square foot units with a base price of \$160,000. < >

**Hear Ye, Hear Ye** – The Urban Land Institute (ULI) will host “PlaceMaking: Developing Town Centers, Transit Villages and Main Streets, September 11<sup>th</sup> and 12<sup>th</sup> at the Omni Hotel in Atlanta, GA. Optional tours include Seaside, WaterColor and Rosemary Beach on the 13<sup>th</sup> and 14<sup>th</sup>, following the meeting. ULI's Fall Meeting will be held at the Colorado Convention Center in Denver, October 17<sup>th</sup> through 20<sup>th</sup>. For further information go to [www.ULI.org](http://www.ULI.org).

- The fall 2006 Golf Inc. Conference will be held September 25-27 at Amelia Island Resort in Amelia Island, Florida. All attendees will receive a copy of “Operations & Financial Profiles of 18-hole Golf Facilities in the U.S” provided by the National Golf Foundation. Go to [www.golfincmagazine.com](http://www.golfincmagazine.com) or call 877-465-3462.
  - Dave Robertson will Chair the American Association of Retirement Communities (AARC) 2006 Conference to be held October 23-25 at the Hyatt Regency on the Riverwalk in San Antonio, Texas. Go to [www.the-aarc.org](http://www.the-aarc.org)
  - The 2007 National Golf Course Owners Association (NGCOA) Annual Conference is now open for registration. The meeting will be held February 20-24 in Anaheim, CA. Go to [www.ngcoa.org/ac07](http://www.ngcoa.org/ac07) to register.
  - Craig Lawn & Associates will hold its 7<sup>th</sup> annual Golf & Resort Community Sales & Marketing Conference January 22-24, 2007 at the Surf and San Resort in Laguna Beach, CA. Go to [www.craiglawn.com](http://www.craiglawn.com) to register.
  - The 2006 Vacation Ownership Investment Conference will be held October 2-5 at The Peabody in Orlando, Florida. Go to [www.VacationOwnershipInvestment.com](http://www.VacationOwnershipInvestment.com) to register or call 877-700-1153.
- Bowden's Bits** – While rising prices and mortgage rates are perceived as cooling the entry level housing sector, these issues do not affect the upscale second home market to the same degree. According to a 2006 Coldwell Banker survey, more than a third of owners of homes valued over \$1 million own second homes and another 35% are considering one.
- Vacation homes account for 40 percent of all purchases by foreign buyers, while homes used for investment and shelter while working in the United States make up 27 percent and 17 percent, respectively.
  - According to a report by the Northwest Colorado Council of Governments, second homes account for 34 percent of all outside dollars coming into Eagle, Grand, Pitkin and Summit counties. In comparison, winter visitors account for 28 percent.
  - Destin, Florida-based Condo Cruise Lines has sold out its first luxury condominium cruise ship and is preparing to convert two more. Condo prices began at \$349,000 for a single suite, but demand for larger units quickly altered re-construction and raised the prices. The rental income associated with the larger units is purportedly five times higher than that for a beachfront condo on the Gulf of Mexico. < >

## *The Bulletin Board*

**Business Bits** – The **St. Joe Company** and **Beazer Homes USA Inc.** announced that the two have entered into a long-term agreement under which JOE will entitle and sell home sites in a number of its Florida projects to Beazer Homes, who would then build and market the shelter products. Initially, JOE will sell Beazer Homes 681 lots in Tallahassee, DeLand and Panama City Beach.

- **Fairmont Hotels and Resorts** and **Abercrombie & Kent (A&K)** have joined forces in a marketing effort to increase demand of their respective products and services. The affiliation will provide members of each brand's respective guest recognition programs exclusive benefits.

- A **Ritz-Carlton** affiliate will manage the members-only **Abaco Club** in the Bahamas. RC Abaco Holding Co. has become a 50% equity partner in the \$250 million golf and sporting retreat. Resort facilities include an 18-hole golf course and a 12-passenger plane to transfer guests to Marsh Harbour.

- The Nutting family, which owns and operates Ogden Newspapers and has ownership in the Pittsburgh Pirates, has acquired **Seven Springs Mountain Resort** in Champion, PA. The 5,500 acre resort encompasses a 418-room hotel, nearly 1,000 condominiums, a golf course, a lodge complex and more than 60,000 square feet of conference space. The property has also applied for a gaming license.

- **Exclusive Resorts**, a leader in the luxury destination club industry, is partnering with **Jack Nicklaus** to explore various real estate development opportunities as destination golf venues for their members. Exclusive Resorts provides its members with access to nearly 300 multi-million-dollar residences in 35 markets, world-wide, and over 90 world-class golf courses including The Carnegie Abbey Club in Newport, RI, the Abaco Club in the Bahamas, and The Old Course at Bovey Castle in England.

- **Intrawest Corporation**, a leader in destination resort development and adventure travel, has been acquired by Fortress Investment Group LLC for \$2.8 billion. Fortress is a global investment and asset management firm responsible for approximately \$23 billion in equity capital. Intrawest properties include Whistler Blackcomb, which is a host venue for the 2010 Winter Olympic Games and the upscale Sandestin Golf and Beach Resort located in Florida's Panhandle.

- **Loews Hotels** has set forth on a major development campaign with plans to add 15 new properties to its portfolio over the next five years. Target cities include San Francisco, Chicago, Boston, Atlanta, Seattle, Toronto and Vancouver. Resort development includes a 400-room property at Lake Las Vegas which will also feature 125 condo-hotel units and 40,000 square feet of meeting space.

- **KSL Capital Partners** of Denver recently closed on a \$56 million acquisition of the **Marriott Rancho Las Palmas Resort & Spa** from **Strategic Hotels & Resorts Inc.** KSL plans to renovate the 444-room destination resort which includes a 27-hole, Ted Robinson-designed golf course and a spa. < >

**New Developments** – The re-development of the venerable **Concord Hotel** in the Catskill Mountains is back on track. Phase I calls for the construction of a new lodge/hotel and spa, and a 63,000 square foot clubhouse.

- **Toll Brothers'** latest Palm Beach County, FL project is the **Jupiter Country Club**. The exclusive, private golf community will comprise 272 single-family and 399 multi-family units with initial prices ranging from \$599,975 to \$1.58 million. Greg Norman will design the 18-hole golf course.

- Developer Barry Freedman is developing **Ute Lake Ranch** approximately 400 miles southeast of Denver in New Mexico. The enormous project comprises 25,000 acres on 13-mile long Ute Lake. Plans call for a gated community of at least 12,000 single family homes, a Jack Nicklaus-designed golf course, a marina, an equestrian center and up to five hotels.

- Coral Gables-based **SouthStar Development Partners** is planning a mixed-use development on a 2,769 acre site east of Ft. Myers. Plans call for 4,200 residential units, 2.4 million square feet of commercial space and an 18-hole golf course, designed to meet Audubon International Signature Sanctuary Course design standards, adjacent to a 350-room hotel.

- **Devinshire Land Development Company** is developing Queens Gap, an upscale private golf community to be located in Rutherfordton, near Lake Lure, North Carolina. The 3,500-acre project will boast a **Jack Nicklaus** Signature course, an equestrian center, a tennis complex, resort-style pool, an outfitters lodge for the fishing enthusiasts, and a spa, fitness and wellness pavilion.

- **ZOL Development** of Houston will develop two mixed-use communities along the Gulf Coast comprising 672 acres on South Padre Island, and 554 acres at Port Aransas/Mustang Island. Buildout has an estimated cost of \$3.0 billion and the project is expected to take 20 years to complete.

- Ritz-Carlton expects to open its **Ritz-Carlton St. Lucia** and the **Residences at Ritz-Carlton** in 2009. Situated on Half Moon Bay, the resort will offer a full amenity package including a 20,000 square foot spa and two 18-hole golf courses to be designed by Arnold Palmer and Irish golf course architect Christy O'Conner, Jr.

### **The Barometric Beat** – *A comment from our Editor*

*The Market Barometer* was formulated during a period in real estate evolution that was far worse than today's climate. In the early 1990s, 30-year fixed rate mortgages began their eventual climb from just below 7% to more than 9% by October 1994. This effectively de-railed the refinancing boom and brought home sales to a screeching pause. Real estate is cyclical, and whether thriving or slowing, settling, stabilizing or normalizing, this cycle too will pass. If you don't believe us, believe CalPers. The California Public Employees' Retirement System is supplying the majority of equity for a new \$73 million fund to invest in for-sale housing. As Al Heavens of *Realty Times* recently opined, "It's a market in which buyers can be more selective. Now it's up to sellers to rise to the occasion.

*Ralph S. Bowden, Editor-in-Chief*  
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**AACs** (Continued from Page 1)

In the current demographic environment, AAC projects do not require prominent affiliations or considerable Sunbelt locations to succeed. Rivers Run is being developed on 38 acres on the Genesee River adjacent to Rochester Institute of Technology in Rochester, NY. Two-bedroom, 1,850 square foot cottages start at \$189,900. The community provides a modest environment containing 10 acres of hiking trails; waterfront docks and a shuttle service which transports residents to the RIT campus every 15 minutes. The development speaks to the popularity of the AAC genre and the demand for affordable products.

The Baby Boomer generation will, perhaps, be the first to reach the age of 100 in the majority, and their finances must take them further in comparison to previous generations. In this regard, a sound real estate investment goes a long way to procuring a comfortable and secure retirement which typically makes the segment price sensitive. A recent analysis conducted by the *Market Barometer* focused on AAC development in the southeastern region of the country. The sample comprised nearly 30 contemporary communities that had entered the marketplace between late 1998 and early 2006. While the sample describes a segment that is relatively upscale, demonstrated by a typical average residential value hovering just under \$400,000, we noted that the better selling communities were offering slightly less expensive products. Further, the better selling communities were larger with higher density, offering largely built-for-sale products. This better selling sub-sample exhibited the following profile.

<u>Community Composition</u>	<u>Market Standards</u>
Avg. Residential Value	\$300K - \$350K
# Units	1800 - 2000 dus
# Acres	700 acres
Gross Density	3.0 dus/acre
# Golf Holes	18 holes
# Units/18 Holes	111 - 519 dus/18 holes
% Custom Home Lots*	0%
% Detached Built-for-Sale*	60% - 70%
% Attached Built-for-Sale*	30% - 40%
% Sold	40%
Avg. Annual Absorption	348 per year, on average

\*When offered

Admittedly, the sample was dominated by some heavy hitters including Del Webb, Centex, Levitt and K. Hovnanian which explains the inordinately high absorption rate, but the indicators were concise. The retirement market is largely price sensitive and amenities are exceptionally important, as shown below.

<u>Amenity Profile</u>	<u>% of Sample Offering</u>
Lodging	0%
Tennis	100%
Pool	100%
Fitness	100%
Day Spa	14%
Clubhouse	100%
Ancillary Function Bldgs.	100%
Town Center	43%
Dedicated Trails	86%

The “big guys” understand the nuances associated with this burgeoning market segment. Development is reaching outside the traditional Sunbelt states, and no single community formula is expected to meet the needs of all mature customers. However there are, obviously, economies of scale associated with the larger, nationally recognized brands, and the foregoing profiles reflect this condition. That said, smaller, flexible AACs are being successfully developed in non-traditional retirement markets in Michigan, Indiana, New Jersey, Colorado, etc. These projects encompass new urban communities, exclusive semi-custom home enclaves and age-focused villages within existing master-planned communities that reflect broad pricing and market appeal.

Texas is among the states that have launched programs to aggressively attract retirees. The Lone Star state's lower cost of living is facilitating migration from more traditional retirement markets such as Florida and California. Centex Homes is rolling out its first senior housing venture at Tuscan Lakes, an 870 acre / 1850-unit mixed-use project located outside of Houston. The “Freedom Living” community will comprise 392 single family homes on 50 foot, maintenance-free lots and base prices will address the aforementioned sensitivity factor, ranging from the high \$100,000s to the mid-\$200,000s. Focusing on the western region, Shea Homes offers its upscale Trilogy products in California, Arizona and Washington at prices ranging from the high \$200,000s to more than \$1.0 million.

Nobody does it on a grander scale than Pulte's Del Webb division which is virtually taking America by storm with 22 new communities expected to open for sale this year alone and accounting for more than 40,000 new residential units. Nearly 50 years after the first Sun City debuted, the company will open its fourth Arizona project. Sun City Festival will be located in North Buckeye and will comprise 7,200 homes, two championship golf courses and abundant ancillary recreational and social amenities on 3,300 acres. At the other end of the development spectrum, the company also has plans for a 350 home enclave at Copper Ridge in California; 450 homes at Grand Reserve in Grand Blanc, Michigan and 500 homes at River Pointe in Manchester Township in New Jersey. These smaller properties in “home town” locations are part of Del Webb's appeal to the diversity of the senior marketplace.

Whether it's Hovnanian's “Four Seasons”, Del Webb's “Sun City”, Shea Homes' “Trilogy”, or Levitt's “Seasons”, branded AAC products are selling like hot cakes. But national recognition and success has also served to pave the way for smaller, local builders as well. Bozzuto Homes of Greenbelt, Maryland has had significant success with multi-family units at Enclave at Ellicott Hills, an age restricted community in Howard County, at prices ranging from \$299,000 to \$380,000. Slenker Land Corp's Central Parke 55-plus Resort Communities have been successful in the Mid-Atlantic region since 1998. The company has seven age-restricted communities located in the greater Washington, DC market area. < > *Judith She*

## Lodging Logistics

While recent events may temporarily blunt the edge, we anticipate that the currently keen tourism industry will persevere. Real U.S. tourism output increased at an annual rate of 5.5% in the first quarter of 2006, the fourteenth consecutive quarter of positive growth, according to the U.S. Bureau of Economic Analysis (BEA). In its latest *Global Hospitality Insights* report, New York City-based Ernst & Young has predicted universal prosperity throughout the industry for 2006. E & Y anticipates an influx of capital from Western interests for the development of upscale and luxury products with the Caribbean being virtually inundated with high-end development through 2007. PricewaterhouseCoopers forecasts that construction will begin on 119,000 new hotel rooms in 2006, an increase of 45 percent over 2005 and the highest level of new hotel construction since 2000. The heightened activity reflects an industry-wide optimism. Projections call for an increase in occupancy of one full percentage point to 64.3%, and an average room rate increase of 6.4% suggesting that the growing supply will increase at a lesser rate than demand.

At the recent Americas Lodging Investment Summit, Joseph Kane, chairman of the American Hotel & Lodging Association delivered a strong message about the importance of service to the industry's growth and continued success. After a period of amenity-focused enhancements, including the infamous "bed wars", hoteliers are finding their way back to their *hospitality* roots, recognizing that consumer loyalty can only be earned through exceptional, and consistent service. Theoretically, service starts at the top with the general manager. But all staff members must get on board. In this regard, hoteliers and resort operators are developing programs to assist staff in providing service that goes the extra mile.

**Ginn Resorts and Clubs** employs a horizontal management model built on the team approach that revolves around the personal concierge who services the guest from booking through arrival and departure. This staff position acts as a host to the guest and is fully supported by a team of service personnel. Two concierges typically work synonymously, trading off as their schedules demand in order that one is always available to service a guest's needs. **Four Seasons'** high end properties consider the business traveler and his/her typically tight schedule by placing room-service menus in the town cars that pick up guests at the airport and providing curbside check-in. At **Destination Hotels & Resorts'** Richardson Hotel, all services associated with the 24-hour business center are complementary.

Another segment of the market that requires special attention has four legs. There are more than 65 million owned dogs in the U.S. and 77.6 million owned cats. Approximately 40% of U.S. households (44 million) own at least one dog and another 39 million households own at least one cat. More and more leisure travelers are traveling with their kids – er . . . their pets -- and they expect them to be heartily welcomed and adequately pampered. **Kimpton Hotels'** "Bone-a-Pelite" package includes a designer dog dish, gourmet treats and temporary dog tags. Boston's Nine-Zero will arrange for pet sitting, grooming, walking and even a massage – for the dog.

At the **Soho Grand** in The Big Apple, pampering is suitably grand with pet room service, full-body pillows and free doggie toothbrushes. The **Wyndham Peaks Resort** in Telluride takes it one step further with a full-service Doggie Spa. Packages include guided playtime, grooming including pawdicures, ear and teeth cleaning, massage and gourmet lunches.

Market niches are not new to the hospitality industry. **Walt Disney World** offers a variety of theme hotels catering to numerous adult and adolescent fantasies. Their latest endeavor is quite humdrum in comparison, but nonetheless productive. Its All-Star Family Suites were created by combining 400 standard rooms into larger units that will accommodate up to six people. The family-friendly suites include two 27-inch flat-screen TV's to assist the family that chooses to play together in staying together.

The original hip hospitality chain, **Kimpton Hotels**, recently unveiled its Zen Den rooms at the Hotel Trion in San Francisco. The single-occupancy units include the Book of Buddha, yoga mats and blocks, and an in-room yoga channel. The five senses are also indulged with items ranging from framed Zen quotes to relaxing music.

Nearly half a billion dollars have reportedly been invested in recent months developing resort properties in the Lake Tahoe area. The region's first five-star property is expected to break ground next year. Located at **East-West Partners' Northstar Village**, the **Ritz-Carlton Highlands** will comprise 173 ski-in/out resort rooms, a 20,000 square foot spa, 11,000 square feet of meeting space and a residential component comprising 75 private residences and 78 Ritz-Carlton Club fractional ownership units. The North Shore of Lake Tahoe is slated for shuttle service connecting the area to Reno-Tahoe International Airport beginning November 1<sup>st</sup>.

Innovative offshore development thrives in a variety of locations. **Four Seasons Hotels and Resorts** recently opened the "flaps" to its first all-inclusive Tented Camp, located in the jungle near the northern city of Chiang Rai in Thailand. Accessible only by riverboat, the resort comprises just 15 luxurious air-conditioned tents featuring Four Seasons' king-sized signature bed, floors of recycled teak, an outdoor shower, a sundeck with massage beds and a hand-hammered oversized copper bathtub. Designed for active adult travelers, the Camp offers a variety of activities including jungle treks, bird watching, fishing, cooking and handling of elephants rescued from the streets of Thailand. Four Seasons is also busy in Barbados with a 115-room resort on 32 acres of beachfront property. Slated to open in 2009, the resort will include dining venues, a full-service spa and 45 residential villas.

**Starwood** is developing a 73-room property at Cotton Bay in Eleuthera, Bahamas that will be a member of the company's prestigious Luxury Collection. Completion is expected by December 2007. Starwood's **St. Regis** flag will don the new St. Regis Resort and Residences Costa Rica to be located in proximity to the popular Los Suenos area. Comprising 133 keys, each guest room will include an oversized terrace with an outdoor shower, a netted day bed and relaxation cove. < >

## Regional Trends

### The Sunshine State

Historically, Florida's economy has rested on three legs: Agriculture, tourism, and retirement. Florida has the highest percentage of householders over the age of 65 (19%) and those between the ages of 45 and 64 (24%), in the nation. Contrary to popular belief, mature Floridians have per capita incomes that are substantially higher than their younger counterparts. Although Florida's mature market segment represents about one-third of the population, its buying power accounts for more than half of all consumer expenditures.

Due to extenuating circumstances, tourism has wavered periodically in recent years, and agriculture has given way to development, placing the real estate industry at the helm of the Sunshine State's economy. Except for a slight dip in 2000, Florida building permit activity increased every year throughout the past decade resulting in growth of approximately 13% per year, on average. As shown in the following table, Florida's building activity level was 85% higher in 2005 than in 2000.

<u>Year</u>	<u># Permits</u>	<u>Difference</u>	<u>% Change</u>
2000	155269	--	--
2001	167035	11766	7.6%
2002	185431	18396	11.0%
2003	213567	28136	15.2%
2004	255893	42326	19.8%
2005	287250	31357	12.3%

As much as 50% of Florida's residential construction is tied to the mature market. Demand generators include a warm climate, lower cost of living, and attractive amenities. However, increased marketing and development activities in other warm climes such as Arizona and Nevada have served to steal some of Florida's thunder. Since the late 1990's, competition for the retiree market segment has burgeoned, resulting in Florida's share of retirement relocations dropping by about 20%.

Nevertheless, the Sunshine State has carried on, topping the nation in job growth by attracting a variety of corporations and industries to its sunny shores with significant incentives. Between June 2005 and June 2006, 270,900 jobs were created representing growth of 3.5 percent. And the second home market has filled any void created by waffling retirees. Northeast Florida in particular, has grown to be known as an affordable option to the increasingly expensive second home market to the south. Second home activity has grown significantly since 2003 when the segment represented a modest 5.5% of loan closings. In the first two months of 2006, nearly 15% of all mortgage loans in the Jacksonville metro area were for the purchase of second homes. Additionally, million dollar home sales have more than doubled since 2003. Data provided by American City Business Journals Inc. showed 558 sales piercing the \$1.0 million mark in 2005, representing an increase of more than 100% over 2004 when just 272 homes sold at this price point. Based on Claritas, Inc. data, Jacksonville has more than 12,000 households with a net worth in excess of \$1.0 million.

Central Florida is hotter than ever, and we're not talking weather. The Orlando metro area, comprising Orange, Osceola, Lake and Seminole counties, continues to grow by 100,000 people or more each year. Orlando is projected to be a leader in employment growth through 2014 adding nearly 300,000 jobs for a 25.4% growth rate and outpacing established growth markets such as Sacramento, CA. and San Antonio, TX. According to the National Association of Realtors®, the median home price in Orlando jumped 36.5% last year to \$232,200. This rate of appreciation speaks to the increasing popularity of luxury homes. The Orlando metro is relatively wealthy, reporting nearly 17,000 households with a net worth in excess of \$1.0 million and 1,700 households with income producing assets in excess of \$2.0 million. Area homes priced at more than \$1.0 million climbed 270% over the past three years. In spite of recent softening, the development boom doesn't appear to have ebbed. Over the next few years, five Developments of Regional Impact (DRIs) will add nearly 30,000 homes and more than 100,000 people to Osceola County while greater Orlando reports another 17,300 condo-hotel units in the pipeline. The Condo Hotel Center in South Florida hasn't seen any slowdown in Orlando demand, yet. The Orlando branch office reports more than 50 sales so far this year, most of which have been priced at \$500,000-plus.

By far the golden goose of Florida real estate, the Gold Coast, (Palm Beach, Broward and Dade Counties) continues to make headlines. The size of South Florida's economy has steadily increased from \$137.7 billion in 1999 to \$176.2 billion in 2005. Despite interruptions in tourism and damages from nine major storms, out of state investment and personal incomes have increased as real estate transactions stagger the mind. Annual mortgage originations accounted for \$100.0 billion in 2005 compared to \$19.8 billion in 1999 and NAR reports a current three-year appreciation rate of 92%. In a market where there are more than 63,000 households with a net worth in excess of \$1.0 million and more than 7,000 households with income producing assets in excess of \$2.0 million, million-dollar-plus homes have become relatively commonplace. Nearly all new golf course communities offer a plethora of housing options in the \$1.0 million-plus category and oceanfront condominiums rarely exhibit a base price under \$1.0 million. High prices, property taxes and ever-increasing insurance costs are conspiring to bring the Gold Coast to its knees – if only temporarily. Affordable housing is a distinct issue and the City of West Palm Beach recently announced an initiative to determine the feasibility of developing modular workforce housing. Conversion projects still show signs of health at the entry level. Local industry professionals are calling it "back to business as usual" as the speculator's market has changed hands back to the end-user. Coco Parc in Coconut Creek reports absorption of 12-15 units a week at prices in the \$150,000s to \$230,000s. Village East in Ft. Lauderdale began in November and has sold 70% of its 264 units at prices ranging from \$279,900 to the \$400,000s. Belaire Boca, a 522-unit conversion that began in March, has sold 100+ units at prices ranging from \$200,000s to the \$400,000s. < >

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