



ULI Housing Interchange

New Trends in Residential Development

Featured Speakers: John McIlwain and Robert Sharpe

March 8, 2013, 2:00 – 3:00 PM EST

Outstanding Questions and Answers

1. What are the square footage trends for rental and for sale units?

Square footage appears to be getting bigger in more upscale rental projects that are targeted to individuals that do not want to own or who are challenged by credit issues as result of foreclosures and short sales. Apartments, that are geared to college students and rent by the bedroom, are also getting larger (and more expensive).

In regard to homebuyers, they still prefer bigger lots, which have been more affordable due to low land values. In addition, move-up buyers won't necessarily down-size to smaller homes, if lower interest rates allow them to afford a larger one.

2. In general, what do you expect to be the role of urban infill housing in responding to changing housing demand?

The demand for urban infill will likely continue to grow as it has been even during the recession. However, it is unlikely to meet the full demand for such housing and so it will continue to be quite costly.

3. What are new trends in amenities within new communities? What trends do you see developing in the near future?

It is back to the basics with an emphasis on amenities that promote community building, place making and a healthy and secure lifestyle. Open space, walking trails and "proximity" to retail, services, recreation, transportation, good schools, and jobs can create a competitive advantage for a new community. However, there is a trend by developers to de-emphasize costly hard amenities, (if they have to fund them), in favor of providing more affordable features including enhanced programming and "social infrastructure" through



technological advancements. Partnerships, between the public, non-profit and private sectors to create a healthier and more meaningful lifestyle for residents, will grow in importance.

4. What is the cost burden in providing amenities? Does this cost erode the return, all else being equal?

The cost to provide amenities for the first two phases (7,000 homes) of Rancho Sahuarita has exceeded \$35 million, or over \$5,000 per home.

Although it is difficult to quantify the direct affect that amenities had on our land values, we felt that it was important to establish our suburban greenfield location as a one of a kind destination to “jump start” a sense of community and place, create a momentum for success, and rapidly increase land prices. By continually introducing new recreational amenities and programming, we were able to market an identifiable lifestyle, rather than just homes, and create competitive differentiators that off-set the negative perception of our outlying location. Positioning Rancho Sahuarita, as a success in the public consciousness, also allowed us to achieve the area’s highest land prices during the 2000 to 2006 run-up, and significantly mitigate our long-term, development risks during the recession.

5. In larger planned communities where prices have been impacted how do you create value in new neighborhoods within the Master Planned Community?

You can create value in new neighborhoods within an established MPC by featuring a housing product that is different from what is currently available. For example, one of our national home builders offered a well-designed, “big box” house, on a larger lot (bigger yard), in a neighborhood with tree lined streets and paver driveways. It was the perfect move-up product for many of our existing residents, who had purchased smaller homes, on smaller lots, when our MPC initially opened. These “underwater” home owners rented their older homes and moved into this new neighborhood, which generated an above average sales rate of about 7 homes per month.



- 6. In both MPC and Active Adult communities’ golf has played a major role in the development. Do you see that trend continuing, or is golf phasing out for more sustainable recreational activities?**

Most developers believe that golf courses have become very expensive open spaces, and they are “staying away” from golf as an amenity. However, certain active adult developers will continue to selectively build golf courses in communities where buyer profiles justify the upfront expenditure and maintenance costs.

- 7. Is the concept of green building and sustainable design still too tough of a sell to clients or developers in this recovering market, or are there means and methods to encourage them to take the sometimes slightly increased upfront costs for the benefit of better performance down the road?**

There is a consensus that energy efficiency and sustainability will continue to grow in importance, but initial affordability appears to be the dominant theme today.

- 8. What is the future for large scale developments where the horizontal improvements were completed more than twenty, even thirty years ago, but never absorbed? We have many such developments in Florida and it is going to take some very creative ideas to potentially utilize them in meeting the increasing demand for senior housing. Are these developments better suited for younger, first time home buyers or is there simply no future for them period due to functional obsolescence?**

In the next few years, older MPCs with “spine” infrastructure in place will again be attractive to builders and developers due their established entitlements, and the cost prohibitive nature of launching new large scale developments. Creating an appealing sense of community, through new or updated amenities and programming, should be attractive to the segment of the aging baby boomer population that is looking for vibrant lifestyle combined with affordable housing options. Younger buyers will eventually seek a better and safer lifestyle for their children, which the typical MPC offers through its schools, parks, pools, open space, and walkability.