



Bowden's **MARKET BAROMETER™**

All the trends that are fit to follow . . .

BAROMETRIC BEAT

By Ralph Bowden, Editor in Chief

To build or not to build, that is the question. The good news is: Housing starts and permits improved above expectations in May. Total housing starts now stand at an annualized rate of 532,000 units. The bad news is: Single-family houses sold at an annual rate of 342,000 units in May, down 0.6% month-over-month and 32.8% below the rate seen in May 2008. The May inventory of new homes was estimated to be 292,000 units representing a 10.1 month supply based on current sales activity. While the number of new homes for sale has continued to trend downward since May 2007 as builders strive to deplete standing inventories, the two regions that have the most existing home inventories are reporting the greatest new construction activity. In the West, housing starts were up 28.6% month-over-month in May while the South reported increased activity of 16.8%.

So what does a developer do to be ready for the recovery? We can't possibly enumerate all the stars that have to line up for a recovery to emerge and take hold, but financing, price stability, and consumer confidence loom large. Let's anticipate that those issues will become aligned and ask how to meet the market. We've looked at the topic from two perspectives, price and location. From the standpoint of price, it is apparent that a significant reset needs to occur that recognizes that demand is constrained, that construction and labor costs have declined, or are at least perceived to have declined. New prices for new products, which are tending toward smaller units, should not be higher than prices being achieved in 2006-2007. While this will not sit well with buyers who bought at the peak, this is the new reality; the new normal.

Where we see market activity in the US we see sales behavior that often mimics price characteristics experienced in 2004-2005. Looked at another way, it appears that products priced at levels 30% to 40% below peak pricing get attention from capable, qualified buyers. The majority of new home sales this year, roughly 69%, have occurred in the lower price levels, i.e., \$299,000 and under, while less than 10% were within the \$500,000-plus price range. From a non-scientific perspective, it is difficult to imagine a scenario wherein product pricing will be in a position to demonstrate an ability to appreciate over the next two years. There will certainly be exceptions to this, reflecting exceptional aspects of a particular market or development.

Inside . . .

Trends In . . .
Branded Luxury

Property
Prospects

The Golf Gallery

Lodging Logistics

Mature Market
Machinations

<>

*"There can be no
progress if people
have no faith in
tomorrow"*

John F. Kennedy
(1917 - 1963)



Barometric Beat (Continued)

The other approach we have considered is to go to markets that are expected to lead the recovery and get in position. For this topic, we have examined a long list of ratings and rankings from *Forbes*, *Business Week*, *CNNMoney*, *Kiplinger's*, *Moody's*, *NuWire*, *WSJ*, *MSNBC*, The Milliken Institute, *bizjournals.com*, the National Association of Home Builders, *Hanley-Wood*, the National Association of Realtors®, the U. S. Census Bureau, *Newgeography.com* -- and the list goes on. We pored over these lists looking for "frequency-of-mention," i.e., how frequently states and communities were identified and described as the "best" places for one thing or another. The categories in which a place can be "best" are legion, from attitudes toward economic development to the availability and quality of medical care; from the relationships between universities and their host communities to prospects for job growth. The lists are a combination of subjective criteria backed by objective data, but these places are the ones that are being talked about in a positive light.

The states that appear to be poised to lead the recovery from a real estate perspective are Georgia, Washington, Virginia, Utah, North Carolina, Florida and Texas, in no particular order. They represent markets that have strong prospects for primary home development due to relatively robust business climate prospects, as well as having the social and recreational infrastructure in place to accommodate the inevitable growth in demand for recreational and retirement real estate. We'll take a closer look at these markets in future issues.

Reports are coming in from builders all over the country who are seeing increased traffic and sales. Lennar advises that it sold more than 3,500 homes between March and May of this year for a 63% increase over the previous three months. KB Homes reports that its second quarter sales jumped 59% to 2,910 homes, and Texas-based David Weekley Homes has seen increased activity putting them at about 90% of their business plan through May. Smaller builders are also reporting increased traffic and sales, including Maryland-based Dan Ryan Builders with 56 sales in May, "the best month we've had in two to three years." Perhaps the most provocative statement came from the Jones Company of Tennessee: "While traffic improved in May and June, we remain "cautiously optimistic." Increased construction activity is encouraging but price sensitivity remains a key consideration. In this regard "cautiously optimistic" should be the battle cry for awhile.

< >



TRENDS IN . . .

Branded Luxury

Much has been reported recently about the term “luxury” which is now, apparently, a dirty word. In deference to all those suffering the economy, the wealthy are purportedly shopping at Cartier with Walmart bags and buying their coffee at McDonald’s. We don’t believe that. While a portion of the top 2% may have an appreciation of the depth of economic conditions, at that level of affluence luxury is an inalienable right, albeit a commodity in evolution for the moment.

It has been approximately 18 months since we last looked at branded private residences. At that time, our research into this market segment focused on urban environments and resulted in a very upscale profile. The original sample included both first and second tier cities with products that had been on the market for about one year. Our most recent market survey also focused on urban environments and the majority of properties had been on the market for more than two years. Flags flying in both surveys included Four Seasons, Hilton, Ritz-Carlton, and various Starwood brands.

Considering current economic conditions, we were somewhat surprised to find a few new market entries braving the alleged luxury resistance. While the profile, expectedly, exhibited some downsizing and depreciation, the products at the top of the market had grown in size and price.

	<u>2007 Sample</u>	<u>2009 Sample</u>	Difference	% Chng
One Bedroom Size *	1,100	865	(235)	-21%
One Bedroom Price	\$700,000	\$450,000	(250,000)	-36%
One Bedroom \$/Sq. Ft.	\$650.00	\$520.00	(130)	-20%
Two Bedroom Size*	2,100	1,380	(720)	-34%
Two Bedroom Price	\$1,500,000	\$975,000	(525,000)	-35%
Two Bedroom \$/Sq. Ft.	\$700.00	\$700.00	-	0%
Three Bedroom Size*	3,200	4,600	1,400	44%
Three Bedroom Price	\$2,000,000	\$3,200,000	\$ 1,200,000	60%
Three Bedroom \$/Sq. F	\$625.00	\$695.00	\$ 70.00	11%

*square feet

All the trends that are fit to follow . . .
www.bowdensmarketbarometer.com



TRENDS IN . . . (continued)

As shown in the table, one and two bedroom units were downsized about 30%, on average, and prices dropped approximately 35% or 17.5% per year. This shift in the entry level product line is not surprising, as projects continue to scurry to bring in sales. Based on the comparison, sales activity is off by about 50% since 2007 when about 2.5 sales per month were reported.

That said, the larger, more luxurious models have been put on steroids. The three bedroom/three bedroom+ units increased 44% in size and 60% in price, based on the median characteristics of both samples. Perhaps even more interesting is the fact that the median price per square foot modulated similarly to size, but not price, while the two bedroom price per square foot did not budge, suggesting that luxury features may still be in vogue. The typical price per square foot for the larger units increased a modest 11% in comparison to a unit price increase of 60%, indicating that while “downsizing” is the current trend, no one has told the top of the market yet.

Within the context of this analysis, no single project personifies the absence of reticence to purchase luxury as the St. Regis Residences Buckhead in Atlanta, GA. At the time of the original survey, all 53 private residences, which range in size from 3,200 to 7,300 square feet, had been sold over an approximate two year marketing period at prices ranging from \$2.5 million to \$8.0 million. When re-surveyed 18 months later, just five reservations had fallen out and the units were back on the market at \$3.4 million to \$8.5 million. The \$120 million hotel developed by Paul Freeman, (who also developed Grand Dunes in Florida’s Panhandle) and designed by Atlanta-based Hirsch Bedner Associates, opened to accolades in April of this year.



St. Regis Buckhead

*Trends In . . .
Is a regular feature by Judith Shé*

All the trends that are fit to follow . . .
www.bowdensmarketbarometer.com



Property Prospects

"Distressed" has been on everyone's lips lately. While the housing market gets most of the mainstream media attention, distress anxiety is comparably palpable in the lodging industry. According to Real Capital Analytics data, 166 hotel properties with an aggregate worth of \$9 billion were in the troubled asset category in the first half of 2009. Interestingly, this figure pales in comparison to the value of closed transactions in individual markets such as Las Vegas where \$17.2 billion worth of hotel assets transferred over the last 12 months. Other U.S. metros reporting significant activity include Philadelphia, Reno, San Diego and New York City. On a global basis, Tokyo ranks #1 in acquisition activity reporting \$18.5 billion in hotel assets traded; Las Vegas places at #2 and NYC at #3 while London and Beijing round out the top five.

While there is no correlating data to determine whether or not the assets connected to these transactions are "distressed," one school of thought considers the sales volume to be down due to supply constraint as discretionary sellers consider it imprudent to sell in this market environment. According to Bob Knakel, blogging on his Streetwise website, lenders have been too preoccupied jumping through the government's various hoops to address defaulted loans, ergo there is very little on the market at the present time. His thesis draws the conclusion that the accumulating pipeline will spew forth in Q3 and awaken a sleeping giant: High net worth individual investors.

We like his thesis, but the *Market Barometer* takes issue with the term "distressed." We like to think of marketable assets as "prospects:" Opportunities in the making, so to speak. Here's a sample of some activity across all property classes.

- Strategic Hotels & Resorts Inc. has put the Fairmont Chicago up for sale. The Chicago-based REIT has hired Eastdil Secured to sell the 687-room property which it bought in 2005 for \$158 million or \$230,000 a room. The company is reportedly asking \$189 million or \$275,000 per room to cover the cost of millions of completed renovations. Market specialists estimate the property is worth about \$140 million in the current climate. Strategic has offered to transfer the property with its \$124 million loan in place which comes due in April 2012.
- Construction lender Goldman Sachs Commercial Mortgage, has put the mixed-use project Downtown Dadeland in southwest Miami-Dade County up for sale. The unfinished project comprises nearly 127,000 square feet of retail space on the ground floor of seven residential towers. The last of the seven buildings was completed this year; 158 condominium units remain unsold and about 40% of the retail space has been leased. Just four units have sold



Property Prospects (Continued)

since Goldman affiliate Dadeland Condo I LLC took title to the project five months ago. At the peak of the housing boom the units were reportedly selling in the \$258 per square foot range. Current sales prices have been estimated at closer to \$210 psf. The pedestrian-friendly community is across the street from the 1.5 million square foot Dadeland Mall.

- The 510-acre equestrian community Cadence is on the market for \$5.5 million. The project, located in Blue Ridge, GA, about 90 minutes north of Atlanta, has a fully built-out, state-of-the-art equestrian facility. Fifty-six single-family lots have been developed; 42 remain for sale. Originally planned for just 150 homesites, Cadence has a potential maximum density of 432 residential units. For further information contact Jennifer Donovan at jenniferd@eqsv.com
- A master-planned community entitled for the development of 3,475 residential units and neighborhood commercial space requires an investor to enable the completion of the engineering phase and develop lots to be sold to home builders. The project is located in Calaveras County in the foothills of the Sierra Nevada Mountains and is adjacent to Castle & Cooke's Saddlecreek Resort golf community. For further information contact James Carena at Cobblestone Group at cobblestone1@cox.net.
- Stowe Mountain Resort is officially for sale. Troubled AIG has not set a price on the Vermont property but it is estimated to be worth at least as much as Killington which sold to Park City, UT-based PowdrCorp and Dallas-based SP Land for approximately \$85 million in 2007. Stowe's value may be enhanced because of permits the resort holds for future real estate development. Stowe Mountain Resort comprises more than 3,000 acres of privately owned and leased government land containing two lodges, two golf courses, a Cooper Wellness Center and a Spa. AIG invested approximately \$400 million in the property over the last six years.

In offshore locations, Costa Rica continues to be a prominent development option. Hilton Head, SC-based Wagner Arroyo and Associates have a 380-acre parcel listed for sale overlooking the town of Jacó on Costa Rica's Central Pacific Coast. This ocean-view property is located near the Marriott Los Suenos Marina, about two hours from the international airport in San José. Permits are in place for resort/residential development; up to 60% of the 380 acres may be developed. For more information contact Lara Arroyo at arroyohiltonhead@aim.com





Property Prospects (Continued)

- o A 32-acre parcel suitable for hotel development is being offered for sale within the 1,200-acre mixed-use project known as Las Catalinas in Guanacaste, Costa Rica. Las Catalinas Holding Company, LLC, is developing the project as an eco- and pedestrian-friendly seaside resort community. Playa Dantita has approximately 300 meters of beachfront and the parcel is entitled for development of up to 350 units. Las Catalinas principal, Charles Brewer, was the lead developer of the Glenwood Park neighborhood in Atlanta, GA, an award-winning new urbanist community. For further information contact Charles Brewer at Charles@chasbrew.com



Playa Dantita/Las Catalinas



Montenegro keeps popping up on the radar lately. A small (fewer than 700,000 citizens) democratic country, Montenegro is located in Southeastern Europe. It has a coast on the Adriatic Sea to the southwest and is bordered by Croatia, Bosnia and Herzegovina, Serbia and Albania. Croatia-based Cubus Lux PLC has reportedly been awarded a development tender for an upscale golf and resort project at Valdanos, at the southern end of Montenegro's Adriatic coast. Planning is projected to take at least 18 months, assuming the tender contract negotiations are successful. Niko Lakovic of Anex Consultancy has several coastal parcels listed for sale ranging from approximately 20 acres to more than 500 acres. All are purportedly suitable for resort/residential development. The Lustica peninsula is the largest parcel and has preliminary plans that call for the inclusion of a golf course. The "Blue Horizon" parcel comprises approximately 150 acres and has been permitted for hotel and residential development. Aman Resorts has a Montenegro market presence and a Four Seasons flag will reportedly fly in Tivat in 2010. For more information contact Niko at nikolakovic@gmail.com



Blue Horizon

All the trends that are fit to follow . . .
www.bowdensmarketbarometer.com



GOLF GALLERY –

According to the National Rounds Played Report, rounds volume in the U.S. was up for the third consecutive month in May, rising 0.9%, year-over-year and resulting in a 1.6% year-to-date (YTD) increase. The public sector showed the largest gains, up 1.3% for the month and 1.9% for the year; the private sector was down 0.7% for the month and up a nominal 0.6% YTD.

- Regionally, the West North Central (IA, KS, NE, ND, SD, and MO) showed the most improvement, up 8.1% for the month and 16.0% YTD. The South Atlantic (DE, DC, MD, FL, GA, NC, SC, VA and WV) took the biggest hit with rounds exhibiting a 7.4% drop for the month and a 5.0% decrease YTD.
- According to [Pellucid Corp.](#), Golf Playable Hours (GPH) were up 0.5% in May compared to the same period a year ago and remained flat through June. June's YTD regional breadth ratio (measured as the number of regions up compared to the number of regions down) remained positive at 1.4:1 with 21 regions up vs. 15 down and the remaining 9 weather-based regions recording neutral results.

Business Bits - Georgia-based [Affiniti Golf Partners](#) has been hired by [Linger Longer Communities](#) to manage RiverTown Country Club and Patriots Point Links. Both layouts are located within the Belvidere Resort in Charleston, SC. The real estate equity firm [Lubert-Adler](#) engaged Linger Longer to oversee development and operations of the former Ginn Resort property. RiverTowne was designed by Arnold Palmer and hosted a 2008 LPGA Tour event. Patriot Point Links was designed by Willard Byrd.

Hear Ye, Hear Ye! Punta Mita's Bahia course, the community's second Jack Nicklaus design, has just been awarded "The Best New Resort Course in Mexico" by the *Golf Guide to Mexico-2009*. Bahia boasts five Oceanside holes. *Condé Nast Traveler* recently acknowledged Punta Mita as the #1 Golf Resort in its "Top 100" Reader's Poll. According to the *Golf Guide to Mexico*, the country ranks as the number one international destination for golf travel by U.S. residents.





Golf Gallery (Continued)

- The JW Marriott Starr Pass Resort & Spa in Tucson, AZ has been honored with the Gold Tee Award by *Meetings & Conventions* magazine for the third straight year. The Gold Tee is awarded annually to outstanding golf/meeting properties worldwide. Winners are nominated and selected by the readers of *Meetings & Conventions* based on overall level of excellence. Starr Pass features a 27-hole Arnold Palmer Signature Golf Facility and more than 88,000 square feet of flexible indoor and outdoor meeting and event space.



Starr Pass Resort, Tucson, AZ

- [Wild Dunes Resort](#) has reopened the 18th hole of its famed Links Course. After a 20-month cycle of natural beach erosion, the coastline along Wild Dunes Resort has been revitalized through a comprehensive restoration project. Working with the resort, golf architect Tom Fazio transformed the 18th hole from a par-5 to a par-3 after a portion of the original green was washed away. Golfers will now enjoy strategically placed bunkers, sweeping ocean views and updated design features that reportedly make for even more challenging risk/reward shots. Wild Dunes is a 1,600 acre oceanfront resort located near historic Charleston.



Wild Dunes Resort



Playing The Links #18

All the trends that are fit to follow . . .
www.bowdensmarketbarometer.com



Club Corner

The Challenge of Standalone Club Operations

By Ed Rehkopf, [Club Resources International](#)

My wife is a high school English teacher and I get to hear her periodic horror stories from the world of public education. Several years ago, growing interested in her comments on the state of our schools, I picked up a book called *Crash Course* by Chris Whittle. Whittle made his money in magazine publishing and with Channel One, the news program provided to public schools. He then turned his attention to public education and founded Edison Schools, a for-profit education management organization that would hopefully bring a solution to some of our worst-performing schools. While Edison Schools has not been as successful as originally envisioned, I found his review of public education insightful and full of interesting ideas. In his book he discussed the challenges facing small town and rural school districts **with limited resources and few economies of scale**. As I read his critique, I was amazed that so many of the points he made about these school districts **applied just as much to standalone club operations**. For me it was a moment of epiphany. Throughout much of my career I worked in independent hotels or clubs with no more resources than our lean management staff could muster among ourselves. In job after job, we had to create personnel and accounting policies and procedures, job descriptions, training manuals, employee handbooks, and other materials to support our operations.

What made it so difficult was that we, the management staff, were up to our necks in operations and daily crises. Some of the operations were 24/7 and finding the time to develop organizational material was a nearly impossible challenge. Yet, **if we ever wanted to stop reacting to problems, we needed to organize the operation for efficiency and consistency**, while spending more time planning and thinking strategically. Over the past thirty years the hotel industry has successfully consolidated into chain operations and management companies, but the greater part of the club industry has not, and probably never will, due to the individual ownership of clubs by members and the reluctance of many to hire management companies. **This leaves the industry full of standalone operations with limited resources and benefits of scale**. In response to these challenges, Club Resources International, a portal website serving club industry managers at all levels of the operations, has recently been launched. On this site you'll find a variety of resources from [White Papers](#); [Best Practices](#); [Job Descriptions](#); [Standards, Policies, and Procedures](#); [Training Manuals and materials](#); programs to improve the understanding and efficiency of operations such as Tools to Beat Budget and Operations Benchmarking; as well as links to other industry resources.

The vision of Club Resources International is to grow into a **one-stop resource** for the materials that managers need, but don't have the time to develop. Since so many club operations are similar, there's no sense in "reinventing the wheel." Simply [register for free on the site](#), download the desired material, and customize it to your own needs. Lastly, we actively encourage other voices and points of view. Just as there are clubs with varying combinations of amenities, there are also a number of ways to organize and operate a club. All quality submissions will be posted with appropriate attribution to individual author and organization. **Harnessing the collective power and intellect of club managers worldwide makes more sense than each of us trying to go it alone!**

Editor's Note: In his career, Ed Rehkopf has managed two historic, university-owned hotels, worked at a four-star desert resort, served as Director of Operations for a regional hotel chain, opened two golf and country clubs and worked in golf course development. We've recently had the pleasure of reading Ed's book, "Leadership on the Line." It proved to be a straight-forward enjoyable read and an insightful guide for those endeavoring to succeed in a service-oriented industry. To order a copy, go to <http://www.probizcom.com>.



Bulletin Board



Current Climate - Everything remains sluggish, including Obama's approval rating, but prognosticators are opining on the positive side for a change. For detailed economic and housing industry data [click here](#).

Hear Ye, Hear Ye - The inaugural Hotel Data Conference, presented by Magnuson Hotels will be held August 4-5, 2009 at the Renaissance Nashville Hotel. Industry leaders Smith Travel Research (STR), Pannell Kerr Forster (PKF) and PricewaterhouseCoopers (PWC) will provide forecasts on consumer business and leisure travel trends, hotel demand drivers and industry cycles.

- o [Equestrian Services, LLC](#) is seeking a seasoned General Manager for one of the company's managed facilities in northern New Jersey. Horse knowledge helpful, but not necessary. A Barn Manager and other equine experts will assist the the GM who should have club/hotel/resort experience and be capable of enabling start up, team building, community outreach, business building, and instituting procedures and systems. The facility is currently undergoing a \$4 million renovation and will re-open in September. Salary range: \$80K - \$95K. To inquire, contact Jennifer Donovan at 434-8720108 or jenniferd@eqsv.com.
- o [Bayside](#), an 867-acre golf community located along Assawoman Bay in Fenwick Island, Delaware, has been named one of "America's 100 Best Master-Planned Communities" by *Where to Retire* magazine. The neo-traditional community has been noted for its extensive array of amenities, including an award-winning Jack Nicklaus-designed golf course, which contribute to an "outstanding retirement lifestyle." More than 50% of the community is dedicated to open space which includes a 287-acre conservation easement. Launched in June 2004 and developed by the [Carl Freeman Companies](#), Bayside has reportedly sold in the neighborhood of 500 homes. Current offerings by NV Homes include a villa in the 2,400 square foot range starting at \$279,990, and six single-family home models which begin at 2,000 square feet and \$299,990. NV's current product line reflects the conservative size and price trends that are becoming prevalent in the active adult community marketplace.



All the trends that are fit to follow . . .
www.bowdensmarketbarometer.com



Bulletin Board

- Headwaters at Banner Elk in western North Carolina reports increased traffic and sales, with seven contracts in April/May, three closings, and five more homes under construction. Developer John Haynes has painstakingly developed the infrastructure and amenities at Headwaters which is well known for its abundant natural resources including a multitude of streams and waterfalls, two coldwater fishing lakes and miles of trails. Other amenities include The Point Clubhouse with a 280-degree view of the mountains, the Farmstead community garden farm, an indoor/outdoor pool pavillion and two tennis courts. The 880-acre community is designed for 285 single family lots, one to four acres in size, and 160 low density condominium units. The Woodlake Cottage model is now open and is attracting significant attention. The well-appointed “jewel boxes” range in size from 1,220 square feet to 1,852 square feet and in price from the low \$300’s to the mid-\$500’s and are typically situated on a one acre site reflecting the “smaller is better” current trend.



Woodlake Cottage L6

Subscribers in the News – Hampton Lake, a Reed Development community located in Bluffton, SC, recently announced the completion of two David Weekley model homes. The first two LifeSmart™ models of Weekley’s “Imagination Collection” were fast-tracked as part of the company’s “Partners in Success Program” providing for the units to be completed within a few months. Two Imagination Collection homes were sold the first weekend the models were available for tour. The “quick-build” strategy appeals to that segment of the market that reists delayed gratification, i.e., anyone over the age of 40. The unit specifications appear right on target with today’s product demand, ranging in size from 1,700 to 2,450 square feet and in price from approximately \$315,000 to \$395,000. Hampton Lake, the recipient of NAHB’s 2008 “Best in American Living Award” (BALA), is a private lake community comprising more than 900 acres. Built around the concept of connecting family and nature, Hampton Lake offers a 165-acre freshwater lake, 340 acres of nature preserve, and a resort-style amenity complex.



David Weekley LifeSmart™ Home Hampton Lake



Hampton Lake Amenity Complex

All the trends that are fit to follow . . .
www.bowdensmarketbarometer.com



Bulletin Board



Audubon Lifestyles has recognized The Oaks Equestrian Center, an O'Connor Signature facility, as the epitome of sustainability by awarding it a Five-Star rating. The O'Connor Signature Oaks Equestrian Center joined as a pilot member of the Audubon Lifestyles Equestrian Facility Program and is the first equestrian facility worldwide to receive the designation. In addition to receiving the Five-Star rating from Audubon Lifestyles, the O'Connor Signature Oaks Equestrian Center has also been issued the Seal of Sustainability from the [International Sustainability Council](#) (ISC). The Oaks is a Dicks Realty development located in Lake City, Florida, in the triangle between Ocala, Jacksonville and Tallahassee. The community has over 1,200 rolling acres and more than 15 miles of looped riding trails. The community's cross-country course (custom designed by Olympian David O'Connor) and top-of-the-line 33-stall barn is complemented by a competition-quality outdoor ring, covered round pen, and a large covered arena.



O'Connor Signature at The Oaks

The Audubon Lifestyles Equestrian Program includes guidelines and incentives for equestrian facility owners and managers seeking to adopt economic, environmental and socially-responsible best practices. The program also includes safety protocols for horses and riders, as well as criteria for facility planning, environmental practices and operations and is setting the standard for sustainably-managed equestrian facilities and the equestrian industry. Charlottesville, VA-based Equestrian Services, LLC, an international leader for the delivery of equestrian experiences worldwide, offers three distinctive programs for resorts and communities; the O'Connor Signature Brand, Equi-Spa, and Equestrian Entertainment. O'Connor Signature at The Oaks was planned and designed and is professionally managed by Equestrian Services, LLC.

Financial Focus - Ernest Spencer, national account executive for [1st Nationwide Mortgage of Texas Inc.](#) advises that the lender is specializing in bridge loans for commercial property development and workouts and is able to close loans up to and exceeding \$1 billion in five to seven working days. The company funds in all 50 states. Direct inquiries to spencer@fntmortgage.com.



Bulletin Board

Business Bits – Coral Gables, FL-based The Americas Group Real Estate LLC (TAGRE) has acquired 1,290 acres of land in Merida, MX (Yucatan region) to develop a health and wellness-oriented retirement community. TAGRE was formed on October 8, 2008 as a subsidiary of The Americas Group in partnership with real estate marketing specialist Frank Weed to provide strategic advice to the real estate sector with particular emphasis on Latin American. The company's goal is to concentrate on new opportunities that have arisen as a result of today's challenging real estate environment and trends. Weed, formerly the President of Medallist Developments, brings a long track record of successful leadership in the development, sales and marketing and management of upscale real estate communities to the venture.

Two recent hotel transactions speak to current market conditions. The Blackstone Group LP has sold the 400-acre, 144-room Carmel Valley Ranch golf resort in Carmel, CA to John Pritzker's San Francisco-based Geolo Capital for \$20 million or \$138,889 per room. The resort, which contains a Pete Dye-designed golf course, reportedly needs about \$25 million in renovation. A re-launch of the property is expected in 2011. In other news, Starwood Hotels & Resorts just announced it has signed an agreement to sell the W San Francisco to Keck Seng Investments (Hong Kong) for \$90 million or \$222,772 per room. Starwood has retained a long-term management agreement to continue operating the hotel as a W. The sale represents one of a few asset dispositions the company has selected to reduce debt levels. The W brand is expected to double its global presence by 2011, expanding from 25 to 60 properties.

In builder news, Wade Journey Homes is expanding beyond its Greensboro, NC roots into Charlotte by acquiring the assets of Indiana-based C.P. Morgan. The deal includes 351 lots in the Charlotte area and about 50 in the Greensboro, Winston-Salem, High Point and Triad areas. Journey is one of the few builders that actually grew in 2008, closing 215 sales in the Triad, up more than 5% over 2007 while revenues were up 3.6% for the same period. Two home building startups are making an effort to gather the spoils of California's housing implosion while targeting opposing ends of the market. Irvine-based RSI Development, an offshoot of RSI Home Products, plans to "integrate manufacturing and supply-chain disciplines" into new home construction targeting the entry level market segment. Raising production housing to new levels through the use of "precision construction" techniques, RSI built its first two homes from their foundations in just 15 days. Conversely, Danville-based start-up Trumark Homes is focusing on building luxury products at or below a market's conforming loan limit and purchasing land in markets that do not have a large amount of new inventory but are dominated by older existing housing stock. The company has begun testing the waters in Upland by purchasing 39 lots at Wyeth Cove for courtyard homes priced in the \$700s. In Upland, 90% of the homes were built before 1989 and Wyeth Cove is the only new development within 20 miles. Taylor Wimpey, the UK-based holding company for upscale U.S. builder Taylor Morrison, reports that the company's UK sales are up 73% since the first of the year while North American sales have increased approximately 19% year-over-year. The apparent disparity relates to the period of time that sales activity expanded. While the UK sales are spread over the first six months of the year, North American sales are more recent.



Bulletin Board

New Developments – Las Catalinas Holding Company, LLC, led by Charles Brewer, developer of Atlanta's award-winning Glenwood Park neighborhood is developing a 1,200 acre seaside resort town in Guanacaste, Costa Rica. Designed by Tunnell -Spangler-Walsh & Associates of Atlanta, GA, in concert with Douglas Duany of Miami-based DPZ, the Las Catalinas site plan builds on the design precedents of historic Mediterranean coastal and hill towns. Many areas of the pedestrian-oriented project will have restrictions on the use of automobiles, or be altogether auto-free. Less than 20% of the land will be utilized for vertical development and maximum building height will be four stories. Las Catalinas has 2.3 miles of coastline along Costa Rica's "Gold Coast" approximately 20 miles from the Liberia airport. Beach Town, the main activity center, will contain an array of retail, restaurant, entertainment, hospitality and recreational uses. A diverse mix of residential options will include attached and detached dwellings. Phase Zero is located beachfront and will include a group of seven houses ranging in size from 1,490 square feet to nearly 8,000 square feet. The homes have been pre-sold and construction is expected to begin late 2009. This portion of the property includes a hotel site for which the developer is seeking an owner/operator. Phase Zero will also include a restaurant and an outfitter. Phase One is planned for another 34 homes, a beach club and another hotel or inn. Subsequent phases will include a variety of retail, office and civic spaces.



< >



Mature Market Machinations

According to the U.S. Census Bureau, in 2000 the number of Americans age 55 or older (59.3 million) represented 21% of the population; by 2007, the cohort had increased to 70.6 million and represented 23% of the population. Based on a National Association of Homebuilders (NAHB) forecast, the 55+ population will grow to more than 85 million by 2014 and will represent 26% of the population. Quite clearly, demand for housing products that appeal to this segment will also grow, but the question becomes, what is it they want?

NAHB and the MetLife Mature Market Institute (MMI) have conducted a study that focuses on exactly that. Some general highlights of the study relating to the market segment include:

- *While the majority of 55+ households are not in age-restricted/age-qualified communities, market share is on the rise, growing from 2% in 2001 to 3% in 2007.*
- *While age-qualified active adult communities tend to be dominated by residents over the age of 65 years, "other" communities, i.e., those that are not age-qualified but do attract the 55-plus set, tend to be dominated by younger residents (<65 years).*
- *Conversely, age-restricted rental communities largely attract relatively older households; above the age of 70 years.*
- *That said, age-restricted/qualified communities are attracting residents at a faster pace at a younger age. The share of households in age-qualified active adult communities in the "younger than 60" category nearly doubled between 2001 and 2007, when it exceeded 20%.*
- *The top reasons cited for moving to a 55+ (owner-occupied) community included family/personal; higher quality/less expensive housing.*
- *Moves to multi-family communities were typically motivated by familial logistics and economics; i.e. reducing costs while increasing housing quality.*
- *Location relative to work is important with the mature segment, in spite of the fact that 55+ connotes imminent retirement. Proximity to work as a reason for selecting a community rose from 11% in 2001 to 17% in 2007 (among those purchasing a single family home.)*
- *Households headed by a single female dominate the multi-family and age-restricted multi-family rental market.*
- *The share of minorities interested in living in age-qualified owner-occupied communities is trending upward. Minority share remained stable at around 18% from 2001 to 2005 but increased to 23% in 2007.*
- *The share of all 55+ buyers of new homes in age-qualified communities using a mortgage has increased significantly in the past six years, rising from 30.6% in 2001 to 51.2% in 2007. In comparison, the ratio declined for 55+ purchasers in all "other" (owner-occupied) communities from 54.4% to 39.7%*

All the trends that are fit to follow . . .
www.bowdensmarketbarometer.com



Mature Market Machinations (Continued)

Where? One of the planning challenges associated with the development of active adult communities is where to put it. Markets with significant population densities are most strategic as most 55+ buyers will not move more than 100 miles from their existing homes. Based on a recent Pew Social & Demographic Trends study, Americans are extremely diverse with respect to their definition of the "ideal" community: 30% say they would most like to live in a small town; 25% in a suburb; 23% in a city; and 21% in a rural area. That said, the large majority prefer living where the pace of life is slow versus fast, and by a ratio of two to one, they prefer to live in a warm-weather climate over a cold-weather climate.

The same study notes that seven of the ten most popular big cities -- Denver, San Diego, Seattle, San Francisco, Phoenix, Portland and Sacramento - are in the West and three others -- Orlando, Tampa and San Antonio are in the South. The five least popular are Detroit, Cleveland, Cincinnati, Kansas City and Minneapolis; all are in the Midwest. Pew points out that these attitudes reflect what government data indicate with respect to the nation's migration patterns: Americans are leaving the Northeast and the Midwest in favor of the South and West.

In 2005, more than \$4.5 billion in income was transferred to 11 southern states via 175,000 +/- 65+ transplants. Florida garnered the largest share, attracting 68,000 new 65+ residents. This level of in-migration is two and one-half times that of second place Texas which saw 27,000 new elder residents. The new arrivals brought nearly \$3.0 billion in income to these two southern states. At the same time, Georgia surpassed continually attractive North Carolina by drawing 16,000 new 65+ residents with over \$400 million in income to the state. Nevertheless, Asheville, NC continues to remain at the top of many lists as one of the most attractive "Places to Retire."

The perennial retiree magnet, Florida has lost some momentum in recent years, and Arizona has taken some of its steam -- no pun intended. Phoenix, Prescott, and Green Valley (Tucson) all made the TopRetirements.com list of the 25 "Best Places to Retire" in 2008. And according to *U.S. News & World Report*, top tax-friendly spots with great recreational amenities include Billings, MT; Cheyenne, WY; Doral, (Miami) FL; Henderson, NV and Juneau, Alaska. *Forbes* magazine recently cited the top ten "Best Places to Grow Old" based on counties with populations greater than 500,000 that have attracted a significant 65+ segment. The methodology examined housing costs, employment opportunities and the availability of hospitals and eldercare facilities. Counter-intuitively, cold-weather climates dominated the list:

1. Montgomery County, PA
2. Nassau County, NY
3. Pima County, AZ
4. Palm Beach County, FL
5. Honolulu County, HI
6. Brevard County, FL
7. Montgomery County, MD
8. Ocean County, NJ
9. Westchester County, NY
10. Lancaster County, PA



Mature Market Machinations (Continued)

The majority of the cited communities exhibit a 65+ population ratio of approximately 15% as opposed to 12.7% for the U.S.; the Florida counties came in higher at about 20%, on average.

What? One thing that came in loud and clear from the NAHB/MMI study: Wanting a larger home was not at the top of anyone's list, ranking fifth in purchasing motivations. Nowhere was this attitude more prevalent than with households choosing to buy in an age-restricted community; not one of these respondents considered a larger home to be an issue in 2007. However, in 2001, nearly 6% of respondents found a larger home to be important. In comparison, respondents choosing a community other than age-restricted found a larger home to be important based on 8.5% of respondents reporting accordingly. This ratio is down from 10.1% in 2005 and 9.9% in 2003, suggesting that this particular motivation is trending downward.

The most popular retiree metros are in the West: Denver, San Diego, San Francisco, Portland, Sacramento, Phoenix and Seattle. Three others – Orlando, Tampa and San Antonio are in the South. The five least popular – Kansas City, Cleveland, Minneapolis, Detroit and Cincinnati – are in the Midwest. Pew data support attitudes that reflect what government data indicate with respect to the nation's migration patterns: Americans are leaving the Northeast and the Midwest in favor of the South and West.

Smaller homes have been the subject of much discussion of late and many builders are downsizing to more efficient footprints in deference to the economic environment. [KB Homes](#) has been a pioneer of sorts, designing smaller products since 2007. The company is currently offering an 881 square foot entry level model at a starting price of \$69,995. The two bedroom 1.5 bath unit is available in three suburban Houston communities.

Based on the NAHB/MMI findings, the ideal housing product as defined by the aging marketplace is a 2,400 square foot, three-bedroom / 2.5 bath single story, single-family unit. This prototype has grown since 2001 when the characteristics were closer to 1,700 square feet, two bedrooms and two baths. The reasons for choosing a particular housing unit are varied and depend upon a derivation in the market segments, i.e., those that choose an age-qualified environment versus those that do not. The most prevalent reason in both cases has to do with layout and design. While size and price rank a relatively close second and third for those considering an age-restricted environment, construction quality outranks both size and price with respect to those considering new homes in non-age-restricted environments. In spite of conventional wisdom to the contrary, view ranks fourth in both cases. Overall, the optimum price point for new, 55+ construction appears to be in the \$300,000 range, reflecting an approximate 50% increase over 2001. There is marginal difference between the age-restricted and non-age-restricted market segments with regard to this characteristic.

The report concludes that only about 47,000 housing starts will take place in 55+ communities in 2009 representing a 50% decline from 2008 when 94,473 starts were reported in age-qualified or "other" 55+ communities. NAHB's forecast for 2010 calls for a resurgence of 55+ housing development resulting in approximately 63,500 starts and representing a year-over-year projected increase of 36%. < >



Lodging Logistics

A series of studies conducted by Smith Travel Research, Jones Lang LaSalle Hotels and YPartnership speak to the issues of segmentation and branding under current market conditions. As we go through this cycle, which most insiders believe is on the verge of trending upward, there appears to appear to be a focus on "Millennials". The market segment, which is close to Baby Boomer size at approximately 75 million, is a combination of GenXers and Echo Boomers -- in other words, those between the ages of (approximately) 19 and 43 years. Peter Yesawich, a principal in YPartnership, opines quite graphically on this massive segment: "Many of these increasingly well-educated, socially conscious and highly mobile travelers seek lodging experiences that are more reflective of their lifestyle, not that of their parents. They are dilettantes interested in sampling both eclectic design and cuisine, but are not keen on spotty wireless service (which, by the way, must be free) or bed linen with a low thread count. And they are quick to try - and abandon - new lodging alternatives when standard "chain fare" just isn't good enough."

There appears to be an end in sight for declining revenue per available room, a key measure of financial health for hotels. RevPAR is expected to reach its cyclical low point in the third quarter of 2009, ending the downward trend that began in the third quarter of 2008. Projected quarterly declines in demand for the remainder of 2009 average just 4.7%. Other forecasts call for an average annual RevPar increase of 9.2% and a rise in profits of 17.8% in 2011 and 2012.

Source: PKF June 2009 Hotel Horizons.

A Jones Lang LaSalle Hotels study suggests that mid-scale hotels without food and beverage are faring the best in this current climate as the corporate sector trades down to keep within continuously declining budgets. This hotel sector outperformed all others following 9/11. In 2002 it exhibited the lowest RevPAR decline of 0.6% and the strongest room revenue rebound, (5.5%) and in 2003 posted the second-highest room revenue increases of any segment.

- o Starwood's Aloft product is an example of the type of product that appeals to the Millennial market segment. Starwood has been very aggressive in developing Aloft: More than 30 properties have opened since the concept was unveiled in 2008 and 20 more are reportedly in the pipeline for this year. The brand has done well in its initial phase in spite of economic conditions, or perhaps because of them. Aloft has reportedly seen "unexpected" demand from business travelers who have traded down to trendy chic from four-star hotels.



Aloft Prototype

While Aloft's character can best be described as "hip," InterContinental Hotels Group's (IHG) Indigo brand has more of a "zen" persona. Indigo has grown to approximately 30 properties in the U.S., U.K., Canada, Mexico and Costa Rica. Florida is a prime target for Indigo growth based on the Sunshine State's reputation as an international traveler magnet. Six Indigo properties have opened



Lodging Logistics (Continued)

there in the last 12 months and two more are planned to open this year. Other stateside Indigo development activity includes three more in Florida (Tampa, Naples and Pensacola) as well as the major metros of New York City, San Diego, St. Louis and Nashville.

Best Western is also going after this market segment and has developed its Atrea prototype with direct input from frequent Millennial travelers. The upper mid-scale properties are designed to target business travelers with meeting space, an indoor pool, a business center and a fitness center. All guests receive free high-speed internet access and a complimentary hot breakfast buffet. Best Western opened its first two Atrea properties in Bryan and San Antonio, Texas. Four more are planned to open in Georgia, Texas and New Jersey in 2009 while two others are planned to open in Canada in 2010. A recent press release reported that Atrea hotels can be built at a cost of \$85,000 to \$90,000 per key.



Starwood Capital Group is putting The Martinez Hotel on the French Riviera on the market. The Greenwich, CT-based firm has appointed Jones Lang LaSalle Hotels to market the venerable five-star property on Cannes's famed Boulevard de La Croisette. The 80-year old property was acquired by Starwood in 2005. The hotel reportedly has room rates in the €500 to €700 per night range and gets up to €34,000 per night for a penthouse

suite. Starwood also concluded its acquisition of Swiss hospitality group Golden Tulip. The deal includes control of 260 hotels in more than 45 countries.

Disney is going forward with its family-friendly resort on Oahu (HI) at Ko Olina Resort and Marina. The \$800 million development will combine two 15-story towers with 350 luxury hotel rooms and 480 timeshare villas on 21 oceanfront acres. The architecture of most contemporary hotels throughout the Hawaiian Islands leans toward the modern dynamic such as Disney's next door neighbor the JW Marriott Ihilani. Disney's indigenous theme appears in lavish contrast.



Disney at Ko Olina



JW Marriot Ihilani



Bowden's *Market Barometer Colleagues*



PRIVATECOMMUNITIES.COM

WALKER MARKETING
ASSOCIATES
Your direct source for directing wealth.



AUDUBON
Lifestyles

dp
David Pearson Associates

focus3
Success Beyond Software

Gary Player
DESIGN

Club Resources
INTERNATIONAL

brightdoor™

gilkey
ORGANIZATION

Golf
Business
Advisors

HOTEL
& CLUB
Appraisals and Consulting Service

ideal
LIVING
MAGAZINE

Live, Work and Play
JELD WEN.
DEVELOPMENT

MERIWETHER
RANCH

RPI
MEDIA

SE GROUP

carolinalive
RESEARCH, MARKETING AND LEAD GENERATION SINCE 1966 .COM

All the trends that are fit to follow . . .
www.bowdensmarketbarometer.com

Bowden's *Market Barometer Colleagues*



[Chaffin/Light Associates](#)

All the trends that are fit to follow . . .
www.bowdensmarketbarometer.com



A Message from the Editors

"The good news is that **THERE IS GOOD NEWS**, although one would hardly know it from what we read and hear from the media at all levels. The traditional media maxim that bad news sells newspapers may be true, but this philosophy also contributes to negative attitudes and erodes confidence which is a vital intangible in our industry's economy. The constant promotion of bad news influences our decision making processes, resulting in a paralysis within key component areas of our industry, due to decision makers being afraid to commit themselves. It has been our observation that this paralytic effect has infected the financial sector of our industry, which in turn causes an unwilling paralysis in the development sector. The contagious quality of this epidemic, left unchecked, may very well cripple even healthy sectors of the industry.

This newsletter has been developed in response to this situation in which only one side of the story is told. **There are** positive events occurring in the residential development industry. The fundamentals of demand have not evaporated; sales **are** being made, money is being made, and there are developments that are setting record sales levels. We want to tell these stories. We want to let you know that all is not lost. We want decision makers to have the facts that do not make headlines, but are the basis of good business decisions. We want you to be able to use this information to counteract the doom and gloom that dominates our information networks. We believe that there is a crying need for this side of the story to be told.

And so, we intend to report on the bright spots of our industry. You will find out that there are buyers for your products; you will find out who is succeeding, and why. You will have solid information to help you influence decisions. The content of this newsletter will report on demographic trends, focusing on the number of people which are old enough and wealthy enough to buy your products and we will report on the products that are satisfying these needs. We will provide reports on sales performance in discreet regions of the country. We will provide periodic reports on what is being planned within regional markets. And, we'll have timely articles by noted industry professionals who are doing today's deals, as well as tomorrow's." *Bowden's Market Barometer, April 1992*

The foregoing represents the genesis of the *Market Barometer* and was taken, in its entirety, from our inaugural issue in April of 1992. It is as compelling today as it was then. The mission of the *Market Barometer* has not changed throughout its nearly two decades in publication. As we begin our 18th year we continue to strive to usurp the negatives with positive feedback gleaned from our on-going research activities. The success of our efforts depends upon you, the decision maker. Many of our subscribers are also contributors. It is through this spirit of cooperation and solidarity that our industry will continue to gain strength. After reading this issue, you decide if we meet our goals. If we do, please join your colleagues in receiving "*All the trends that are fit to follow . . .*"

All the trends that are fit to follow . . .

www.bowdensmarketbarometer.com



SUBSCRIBE NOW and join your colleagues in staying in touch with the latest trends! The Market Barometer is a monthly publication, delivered directly to your email box in PDF format. The current cost of an annual subscription is \$235.00. To order, go to our [website](#) and click on "Subscribe." In the alternative, you can fill out the order form below and mail it, along with your check to:

The Market Barometer
12162 72nd Court No.
West Palm Beach, FL 33412

Annual Subscription Order Form

Name _____

Company _____

Address _____

Email _____

Telephone # _____

Thank you for your interest in Bowden's **Market Barometer**

All the trends that are fit to follow . . .

Judith She` Managing Editor Ralph S. Bowden, Editor-in-Chief

Bowden's Market Barometer is a publication of Ralph Stewart Bowden, Inc., Real Estate Counselors, specialists in recreational and resort community development. The publication does not render legal, investment or tax advice. All such decisions should be made with the assistance of qualified professionals. RSB, Inc. makes every effort to use sources that are determined to be accurate and reliable. However, no guarantee or warranty with regard to the information contained in this publication is intended or implied.

All the trends that are fit to follow . . .

www.bowdensmarketbarometer.com
