



Bowden's **MARKET BAROMETER™**

All the trends that are fit to follow . . .

Bottom's Up!

The general consensus is that the housing market has bottomed - finally. According to a Gallup poll focusing on home buying attitudes, most Americans (77%) believe this to be the case and 72% think now is the right time to buy a home. The latest [HouseHunt](#) Current Market Conditions survey data show that more than half of HouseHunt's member-agents reported that their customers received 95% to 100% of their asking prices while another 35% said they received more than 90%. This compares to 53% in 2008 and 52% in 2006. Other data show that repeat buyers represented 50% of all transactions in Q110 compared to 34% in Q409. For perspective, the "normal" ratio has been in the neighborhood of 67%, indicating that first-time buyer activity continues to have impact.

On the builder front, confidence levels are up, reaching the highest point since August 2007 in May. The most important issue on builders' plates now appears to be how to tie up land and find the means to finance it in order to go forward. Prices of lots have begun to escalate and time is of the essence in order to keep prices at affordable, competitive lows - at least for the time being. A recent study conducted by Marcus & Millichap examined rental rates and home prices in 45 metropolitan areas and concluded that the cost difference between buying and renting is the narrowest it has been since 1993. The gap between a mortgage payment on a median-priced home and median rent for a similar property now stands at \$256. In some of the hardest hit housing markets where foreclosures have served to severely depress pricing, the gap can be as little as \$100.

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Bowden's **Market Barometer**™

This condition is not expected to last very long. Industry experts expect home prices to escalate at a more rapid pace than rents, and markets that have been ahead of the curve with respect to appreciation do not have this advantage. In major metros such as Los Angeles and Seattle the own/rent gap can be more than a \$1,000, keeping many would-be home- buyers out of the market.

Both sales activity and prices were up year-over-year in April in all regions. Sales were up 23.1% nationally, representing the seventh straight monthly increase. The Northeast led the fray posting a 32.9% gain, followed by the Midwest, up 30.6%. Prices have risen for five consecutive months and are up 7.3% year-over-year on a national basis. The Northeast led with an increase of 13.1%, followed by the Midwest, up 10.5%. While a significant inventory of distressed properties has served to depress prices and buoy sales, foreclosure activity decreased 9%, month-over-month in April, and 2% year-over-year. As inventories decline and sales grow stronger, private capital will re-emerge, and prices would be expected to continue to trend upward.

There is no argument that 2009 was a horrendous year for our industry, but based on the 2009 Builder 100, it wasn't quite the travesty the media would have us believe. Twenty-six of the top 100 builders reported positive increases in the number of closings compared to just five builders in 2008, while sixteen builders enjoyed revenue gains, three times the number in the previous year.

Looking forward, housing starts rose 5.8% in April to an annual rate of 672,000 units, the highest level since October 2008. By the end of this year, NAR Chief Economist Lawrence Yun anticipates that practitioners should see 5.4 million existing home sales and demand estimates based on population growth fall into the 7 million units range. We still face many challenges in the days ahead, not the least of which is the limited financing climate and homeowners with negative equity, but things are looking up. We'll keep our finger on the pulse and keep you posted as we progress through the next phase of operation "bottoms up."

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TRENDS IN . . .

Affluence

Pundits are once again beginning to focus on the affluent market sector in a positive fashion. The general consensus is that pessimism is abating and the wealthy are once again buying luxury commodities. However, motivations have changed to some degree, and it appears that the ego has gone out of the equation leaving marketing strategies to provide a substantive purpose to purchase. Ron Kurtz of the American Affluence Research Center (AARC) recently opined that luxury shame, to the extent that it existed, has been replaced by 'frugal fatigue' suggesting that affluent consumers are growing weary of self-imposed restraint and are returning to the market.

AARC's most recent *Affluent Market Tracking Study*, the seventeenth in a series of twice-yearly surveys, was released April 15, 2010. Focusing on the 11.2 million households that represent the wealthiest 10% of US households based on net worth, the independent report provides "real time" insight, serving to identify the future spending plans and intentions of wealthy respondents. The following profile was developed based on a random sampling of 525 high net worth individuals.

- Minimum net worth -- \$828,000
- Average net worth -- \$3.1M
- Average income -- \$256,000
- Primary residence value -- \$651,000

Interestingly, approximately two-thirds (68%) of the respondents believed current business conditions to be negative, 24% took a neutral position, and just 8% believed conditions to be favorable. However, optimism prevails for future conditions; 44% believe the economy will get better, 41% believe it will remain the same, and just 15% see economic conditions worsening. That said, spending patterns appear on an upward trend in 16 of 17 product categories with two-thirds or more of respondents planning major acquisitions over the ensuing 12 months. Survey findings resulted in estimates of big-ticket purchases. "Given the 11.2 million US households that comprise the wealthiest 10%, it can be calculated that this market segment represents the potential of approximately 2.0 million motor vehicle acquisitions, 1.8 million home remodeling projects, 1.7 million cruise buyers, and the acquisition of 482,000 primary residences and 336,000 vacation residences in the next 12 months." The survey analysis goes on to point out that acquisition of a new vacation residence is most likely to happen among those under the age of 50 and those in the highest income and highest net worth categories, while those with annual incomes under \$200,000 and/or a net worth under \$1.5 million appear to have no plans to make any major purchases over the next 12 months.

For many high net-worth individuals, residential property continues to be an attractive investment. London-based Knight Frank and Citi Private Bank recently published "The Wealth Report 2010", an outlook of the attitudes of high net-worth individuals toward global high-end residential property investment. According to the study, high net-worth individuals see high-end residential property as one of the best asset classes to own, and more than 70% believe 2010 will



Trends In . . . Affluence (continued)

be a good year for property acquisition. Property makes up the largest share - a full one-third -- of high net-worth individuals' investment portfolios, and the majority motivation is long-term capital growth rather than income.

Travel is another area where well-heeled individuals are inclined to spend their wealth. The 2009 Ipsos Mendelsohn Affluent Survey focuses on the top 20% of households, i.e., those generating household incomes of \$100,000 or more. This segment is estimated to comprise 43 million individuals in some 24 million households. Study demographic parameters include an average household income of approximately \$200,000 and average liquid assets of \$500,000. Based on the findings, discretionary expenditures on travel comprised 16% of the total spent by this segment, up from 14% in 2008, and 90% of respondents reported having taken a trip in the previous 12 months, most of which was domestic travel split relatively evenly between business and leisure. It is also estimated that 14.8 million affluent individuals plan to take a vacation outside the US over the next twelve months. Affluent travelers are willing to pay more for luxurious comfort, attentive service and environmentally friendly products - within reason. The wealthy take pride in the way in which they have managed their finances during the recession, and intend to continue on a path of sensible comfort and enjoyment.

American Express also surveyed the top 10% of households and found them to be increasingly happy; seven in ten rate themselves as "very happy" compared to only four in ten in 2007. Generation X professionals are the exception as a large percentage are "worried that their careers have stalled." Nevertheless, the wealthiest consumers have reportedly become wealthier, albeit wiser. While the Amex study concluded that interest in luxury goods is trending upward, it is "qualitatively different from the unbridled enthusiasm that characterized the mid-2000s."

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



Vacation Home Sales on The Rise

First-time home buyers are not the only ones taking advantage of low prices and interest rates. According to the 2010 National Association of Realtors® (NAR) 2010 "Investment and Vacation Home Buyers Survey" vacation home sales increased 7.9 percent last year to 553,000 units, up from 513,000 in 2008. In comparison, primary residence sales rose 7.1 percent suggesting that second/vacation homes continue to remain an important and viable industry sector. Ultimately, the market share for vacation homes rose one percentage point to 10% in 2009, a relatively remarkable achievement in a challenged economy.

Based on the NAR data, the motivation associated with the purchase of a vacation home is largely lifestyle- related with nine out of 10 buyers intending to use the property as a family retreat. Just one in four vacation home buyers intend to rent their properties, and 26% plan to use the property as a primary residence in the future.

While prices are lower than ever in most markets, the median transaction price of a vacation home grew 12.7% to \$169,000 in 2009 compared to \$150,000 in 2008. Seven out of ten vacation properties purchased were detached single-family homes, and one half of vacation homes purchased last year were located in the South.

In comparison, the market share for investment second homes dropped to 17% in 2009 from 21% in 2008 and the median investment property sales price was down 2.8% to \$105,000 from \$108,000 in 2008. Condominium apartments garnered a higher percentage of the investment sales and most were in the West.

The typical vacation-home buyer was 46 years old, married, reported a median household income of \$87,500, and purchased a property that was a median distance of 348 miles from their primary residence. In comparison, investment-home buyers exhibited a median age of 45, earned \$87,200, and purchased a home that was relatively close to their primary residence - a median distance of 24 miles.

The long-term outlook for the second home sector appears positive based on national demographic characteristics. Income increases with age, as does the propensity for buying a second home. In 2009, there were more than 1.7 million households headed by at least one person between the ages of 45 and 74 reporting annual household income in excess of \$250,000. By 2014, this affluent market segment will grow to more than 2.4 million households representing an increase of more than 700,000 households or 40%. This market sector is not as reliant on the mortgage market, which for second homes, was difficult at best in 2009 resulting in cash sales comprising a large portion of the second home market in 2009. Approximately 30% of vacation home buyers paid cash and 50% of investment home buyers did not require a mortgage in 2009. That said, the mortgage market is expected to loosen this year and jumbo loans are reportedly becoming increasingly available in established resort areas.

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GOLF GALLERY

The Business of Golf - The [National Golf Foundation](#) (NGF) and [Golf DataTech](#) report that rounds played declined 3.7% in the month of March resulting in a year-to-date decrease of 12.4%. Regions showing increased activity included New England with a vigorous 32% year-over-year jump; Mountain, up 2.4%; and Pacific up 0.9%. Rounds were up throughout New England; the Mountain Region saw increased activity in Arizona, Idaho, Wyoming, Utah and Montana; and increased activity in and Portland, OR and Seattle, WA kept the Pacific region in positive territory.

[Pellucid Corp.](#) reports increases in weather-based Golf Playable Hours (GPH) for both March and April bringing the year-to-date GPH to +6%. Coincidentally, the breadth ratio shifted into the positive zone and now stands at 1.4:1 reflecting 23 regions up vs. 16 down and 6 in the neutral zone. All 45 Pellucid regions are now officially "in season."

The 2009 *Private Club Operations Report* produced by the National Club Association is now available. This in-depth report provides comprehensive trends on a variety of private club subjects including staffing, food and beverage operations, capital improvements, club policies, technology and revenue and expenses. Survey results revealed the top 10 ways in which clubs are growing revenue. The No. 1 strategy is increased membership marketing. Nearly 70% of respondents reported this to be their top priority. To purchase a copy, visit NCA's online store at www.nationalclub.org or call 800-625-6221.

The St. Simons Island, GA residential enclave, Grand View has partnered with The King & Prince Beach and Golf Resort to offer a year-round membership to the resort's golf course to new Grand View homeowners. Membership includes full golf privileges and access to the clubhouse and the swim and tennis amenities at the adjacent Hampton Club. Grand View residents also have access to Sea Palms' 27-hole golf club giving them access to a total of 45 holes of golf.

Nicklaus Design has appointed Evolution Golf as its design representative in India. Estimates indicate there to be approximately 500,000 golfers among India's 1.17 billion people, a number that is forecasted to grow at an annual rate as high as 30% over the next few years. More than one-third of the country's estimated 250 courses have opened in the last five years. Nicklaus Design opened its first course in India in 1998. The Classic Golf Resort in New Delhi has played host to a number of Asian Tour and Professional Golf Tour of India events. Nicklaus Design currently has projects under development in Ahmedabad and Ludhiana.



GOLF GALLERY (Continued)

Fairway Advisors recently announced that it had brokered the sale of the West Winds Golf Club in New Market, MD for West Winds GIBG LLC. The private, championship course was designed by Bill Mitchell and opened in 1971 as the centerpiece of a residential community. West Winds is the ninth golf course sold by Fairway Advisors for GIBG LLC.

Hear Ye, Hear Ye! - Nick Cassini has been named Director of Golf at Scotch Hall Preserve, a resort-style residential community located along Albemarle Sound in North Carolina's Inner Banks. Cassini was named the No. 1 Amateur Golfer in the World in 2001 and went on to play competitively in the Nationwide, PGA and European Tours until 2006 when he injured his shoulder. He will oversee the community's Arnold Palmer Signature course, which opened in the spring of 2008 and named to Golf Digest's Top 10 Best New Private Courses in 2009.

Donald J. Trump's Fabulous World of Golf debuted in April on the Golf Channel. The six-part series will host celebrities, superstar athletes and professional golfers at Trump's exclusive golf courses around the world as they compete head-to-head for their favorite charities. Future episodes will feature Oscar De La Loya vs. George Lopez; Mark Wahlberg vs. Kevin Dillon and Rocco Mediate vs. John Daly. Other Golf Channel original programming debuting this spring includes "Being John Daly" and "The Haney Project" starring Ray Romano.

Growing the Game - The number of golfers ages 6 to 17 dropped 24%, from 3.8 million to 2.9 million between 2005 and 2008. One thesis has it that the plethora of "testosterone-induced" layouts constructed over the past decade in environments focused on the sale of real estate has served to drive kids away. Although there are 492 more golf courses in the US today than in 2000, we've lost 368 nine-hole and par-3 layouts - facilities where children can practice their strokes and without any pressure. Three Houston couples recognized this condition as counter-productive and purchased the 343-acre Houston Oaks Golf and Country Club in Hockley to create a guilt-free and family-friendly golf retreat. The existing 18-hole championship course and nine-hole executive course will be joined by another nine-hole layout, a resort style swimming pool, an outdoor pavilion, an event center with seating for 300, new tennis and basketball courts and a 20,000 square foot two-story clubhouse. The best part is that young golfers will have their very own venue - The First Tee of Greater Houston campus. The complex includes an eight-acre practice area including a driving range, practice putting greens, puttable target greens, and a 60-person dormitory. The program officially kicked off in March and eventually anticipates the participation of more than 100,000 children.



GOLF GALLERY (Continued)

Another area of growth that has seemingly been neglected is women. Women have always played golf. The LPGA Tour is older than the currently constituted PGA Tour, but the proportion of female players has remained relatively flat since the 1980s. A recent study conducted by Sports & Leisure Research Group revealed a striking disconnect between what the industry perceives as important to women and the reality. In a male-dominated sport this is not surprising, but women represent a vast untapped resource and a few changes to the system have the propensity to increase participation. The study looked closely at former female golfers and discovered the absence of steady, compatible playing partners -- women aren't so inclined to walk on a course and paired with a stranger. In this regard more league play and women-friendly events would help. Another issue that isn't quite so simple a fix has to do with course layout. Much like the children mentioned above, women can feel defeated and intimidated by playing holes that are too long for their game. Arthur Little, whose family underwrote the research, advises that "A properly designed set of tees reduces the time it takes women to play a round and gives them a greater sense of accomplishment." Mr. Little has personal experience in the matter as owner of Province Lake golf course in Parsonsfield, Maine. By tweaking the course and tees the facility has seen a tripling of the number of women's rounds. For examples of other women-friendly courses, take a look at Lely Mustang Golf Club and Lely Flamingo Island Club at the Greenlinks Golf Resort in Naples, FL; The Naples Beach Hotel & Golf Club, Raptor Bay Golf Club and Old Corkscrew in Estero, FL, and The Rookery on Marco Island.

Management Momentum - Private club management is heating up as facilities find it increasingly difficult to recruit and retain members. Troon Golf recently picked up Shackamaxon Golf & Country Club in New Jersey and Muttontown Golf Club on Long Island bringing the company's portfolio to 186 18-hole equivalents at 151 locations, 33 of which are private clubs. KemperSports now manages Cornerstone Club in Montrose, CO. The 18-hole private club is the centerpiece of a 6,000-acre exclusive private resort community located about 60 miles from Telluride. Orlando, FL-based Meadowbrook Golf has been selected to manage Ridgewood Country Club in Waco, TX. The private equity club opened in 1946 and has over 1,000 members. Billy Caspar Golf (BCG) will manage the Heritage Hunt Golf & Country Club in Gainesville, VA. Located 45 minutes west of DC, the 1,863-unit active adult community is BCG's ninth property in Virginia. ClubSpecialties, Intl., (CSI) has added two management contracts and conducted ten private consulting assignments in the last three months. The company's Strategic Club Assessment program provides owners with a detailed review of each department and recommendations for revenue growth, cost efficiencies and management and governance structure. CSI has been retained to manage Winchester Country Club in California and The Manor Golf & Country Club in Alpharetta, GA.



GOLF GALLERY (Continued)

Architectural Achievements – Greg Norman's first course in Vietnam is now open for play. The Dunes Course at Danang Golf Club is an 18-hole links-style layout that weaves its way through rugged dunes to a stretch of beach that *Forbes* magazine voted one of the world's 10 most luxurious in 2005. The Shark also plans to transform a dormant golf course in southern British Columbia into a venue worthy of hosting world-class golf tournaments. Norman will redesign and rebuild Ponderosa Golf Club in Peachland, a small town southwest of Kelowna. Closed since 2006, the golf course is situated on the southeastern slope of Pincushion Mountain and offers views of Lake Okanagan. Norman plans to stretch the layout to 7,114 yards and describes the site as "Napa Valley meets Lake Tahoe." Treegroup Developments Corporation bought the course in 2007 and plans to build 2,200 residential units, a village center and a variety of ancillary amenities including a winery on an adjacent 425-acre parcel. The redesigned course, along with a golf academy and a new clubhouse is slated to open sometime in 2011.



#16 - Dunes Course, Photo: Claire Wiley

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Club Corner

Golf Club Holdings, LLC and the PGA Tour recently announced the introduction of [The Tour Club](#), a national sports entertainment club membership providing access to more than \$1 billion in combined assets. Included in membership is access to a network of luxury residences, private and resort golf courses and other, previously inaccessible golf-centric experiences including VIP access to PGA Tour events, Tour-level golf instruction and concierge services.

The Tour Club is a strategic alliance between the [PGA Tour](#) and vacation club [Quintess, Leading Residences of the World](#) providing members with access to 35 Tournament Players Club (TPC) golf facilities, 22 of which are private, and a portfolio of luxury residences at some of the world's most sought after golf destinations including The Wynn in Las Vegas, Pelican Hill and Corde Valle in California, and nationally ranked private clubs such as TPC Potomac at Avenel Farm in Washington, DC and TPC Sugarloaf in Atlanta, Georgia. Future plans call for a 22-residence Tour Club Lodge to be developed at Ponte Vedra Beach, Florida for a 2012/2013 opening.

A unique aspect of the membership will be golf outings held in conjunction with high-demand corporate entertainment events including the Kentucky Derby, the NCAA Final Four and NASCAR races. The Tour Club has over a dozen experiences listed on its 2010 calendar. Tour-level training will be available world-wide utilizing top instructors and state-of-the-art technology-based techniques. Three levels of corporate membership are currently available with initiation fees starting at \$200,000 and annual dues starting at \$39,000.

The PGA Tour is the world's premier membership organization for touring professional golfers, co-sanctioning more than 100 tournaments on the PGA Tour, the Champions Tour and the Nationwide Tour. In 2010, tournaments will be played in 34 states and 12 countries. The PGA Tour tournaments are organized as non-profit events in order to maximize charitable giving. In 2009, the three tours generated nearly \$109 million for local charitable organizations bringing the Tours' total lifetime charitable contributions to nearly \$1.5 billion.

For more information contact Chris Smith at csmith@pgatourhq.com.

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Bulletin Board

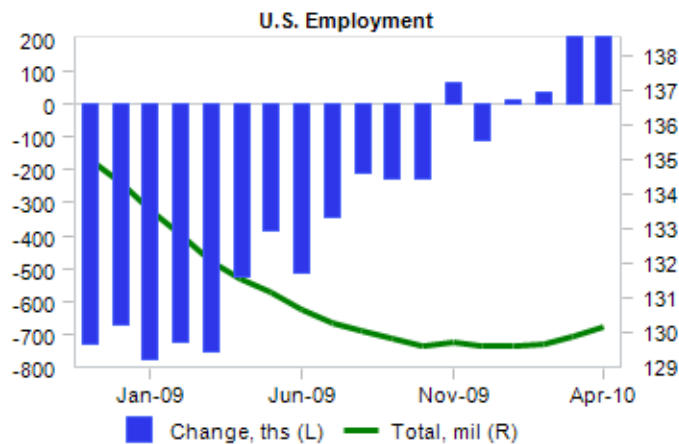


Current Climate - If you're a stock market junkie, no doubt you've had cause to pause this past month. Beginning the month of May at 11,200, then plunging inexplicably on a couple of occasions, the Dow ended the week of 5/22 at a nonetheless respectable 10,200. But the stock market is no longer the economic bellwether it once was as investment fundamentals have changed. While influenced by global conditions, the US economy is exhibiting a solid recovery, as

depicted by the following characteristics.

Advance gross domestic product (GDP) estimates increased at an annual rate of 3.2% in the first quarter of 2010, on the heels of a 5.6% increase in Q409 allaying fears of inflation. Q110 was the third straight quarter of economic growth and economists are predicting an annualized rate of 3.1% this year. The Q1 increase reflected positive contributions from personal consumption expenditures, private inventory investment, exports and non-residential fixed investments. Said another way, some people are spending money again.

Conflicting news on the jobs front, but nonetheless encouraging. Not only did we add 290,000 jobs in April in the manufacturing, professional and business, service, health care and leisure and hospitality sectors, employment rates for the previous two months were revised upward resulting in a labor force of 130,119,000. Perplexingly, the unemployment rate edged up to 9.9%. Nevertheless, the bottom has apparently been breached. The chart below tells the tale.





Bulletin Board

According to the Bureau of Labor Statistics, the Consumer Price Index (CPI) appears to have stabilized, declining 0.1% in April. Over the last 12 months, the index increased 2.2% before seasonal adjustment. Personal income increased \$36 billion or 0.3% and disposable personal income increased \$32.9 billion or 0.3%, and consumer spending grew at a steady pace in March. Consumer spending is the strongest it's been since the first quarter of 2007, exhibiting an annualized growth rate of 3.6% in Q110.

And in the "everybody has an opinion" column, researchers for the Federal Reserve Bank of San Francisco opine that the US economy will likely recover more quickly from this recession than it did after the previous two recessions. Director of Research John C. Williams was quoted as saying "I see no signs of a double dip." We're going to hold him to that.



Housing Highlights - As discussed on page one, sales and prices are both up and the housing market appears to be on the mend. The Federal Reserve's latest Beige Book report, published in April, supports this thesis. Every district except St. Louis and San Francisco reported improving economies and better residential real estate markets.

In music to builder's ears, new home sales jumped 27% in March, the biggest one-month gain in nearly five decades (since 1963). The March activity represents an impressive 23.8% year-over-year increase.

Housing starts rose 5.8% in April to an annual rate of 672,000, the highest level since October 2008. Single-family starts rose 10.1% while multi-family starts declined 18.6%, reversing the previous trend.

New home inventory has declined for 31 straight months to achieve an all-time low. The March level of 227,000 units represents a 6.7 month supply at the current sales pace, down from 8.6 months in February.

The S&P/Case Shiller Home Price Index has reported its first annual increase in more than three years. The closely watched benchmark posted a 1.4% improvement for its 10-city composite and a 0.6% rise for its 20-city composite in February.

MacroMarkets recently surveyed more than 100 analysts and market strategists. Consensus findings suggest a 12.4% increase in housing prices by 2014 while some gurus think that rate could be as high as 37%.



Bulletin Board

Mortgage applications rose 13% in the first week of May, according to the Mortgage Bankers Association weekly survey. It was the third consecutive weekly increase. On an unadjusted basis, purchase applications increased 10.3% year-over-year as mortgage rates continue to remain low and mortgage options increase. The 30-year fixed rate has been below 5% since the beginning of May and some banks are once again offering jumbo loans.

Real estate investors are back in the game, accounting for more than 17% of home purchases in January, 26% of which were cash transactions. The majority of current investors are not flipping, but buying to hold as they recognize that housing values are on the rise.



Hear Ye, Hear Ye – The call for entries has gone out for the 2011 “America’s Best Builders.” Sponsored by *BUILDER* magazine, the awards honor US home builders for overall achievement based on a variety of housing issues including finance/operations, design/construction, customer service/quality, community/industry service and marketing. The deadline for the entry form is July 16, 2010. To download an entry form, click [here](#).

RCLCO released their annual “Top-Selling U.S. Master-Planned Communities for 2009” and Newland Communities’ Cinco Ranch took top honors with 887 net sales representing a 14% increase over 2008. Newland also took fourth place with Telfair which had 450 sales for a 9% year-over-year increase. Rounding out the top ten are The Woodlands, Mountain’s Edge, Providence, Daybreak, Rancho Sahuarita, Anthem at Merrill Ranch, Vistancia and Sienna Plantation.

While no private for-profit builder landed in the top 10 of the *BUILDER* 100 2009 rankings, privately-held Taylor Morrison barely missed the cut, coming in at #13 with 3,347 closings and \$1.3 billion in revenue. Other private builders ranking relatively high included David Weekley Homes, (#17) The Villages, (#19) and Shea Homes (#20).

Bowden’s Bits –Technology has become a powerful networking tool for the housing industry. More than 200 million people belong to FaceBook, nearly 1.5 million professionals have joined LinkedIn and purportedly two-thirds of adults between the ages of 50 and 64 use the Internet. These statistics come as no surprise to Todd Zurcher who launched *ResortAuthority.com* last May. Developed by Colorado-based OMI Group, the digital gateway focuses exclusively on connecting real estate professionals with potential buyers of resort properties. The latest addition to its growing portfolio is the Trailhead Lodge at Wildhorse Meadows in Steamboat Springs. Zurcher is a former Broker/Owner for RE/MAX International and has spent much of his career selling resort and second home real estate.



Bulletin Board

Unmarried women accounted for 21% of home purchases in 2009, while unwed males represented a comparatively modest 10%. According to the National Association of Realtors, this is a dramatic shift from 1981, the first year this particular home buying factor was tracked, when single women and men each accounted for 10% of new home sales. Since that time, the single women segment has expanded gradually, holding steady at about 20% for approximately five years.

Streetcars are making a comeback. According to the Community Streetcar Coalition, 22 cities across the nation are planning to add streetcar lines within a year or two. Interestingly, while major metros such as Los Angeles, Dallas, Atlanta and Washington, DC are among them, second tier smaller metros are equally enthusiastic. These include Fort Lauderdale, Florida, Lake Oswego, Oregon, and Kenosha, Wisconsin, among others. The extent of the lines varies as well. Seattle's First Hill Streetcar will be a 2.2-mile line, while a 37-mile network is being considered in the District of Columbia. Tucson Modern Streetcar, a 3.9 mile line, may carry as many as 3,600 riders per weekday on a route connecting downtown Tucson to the University of Arizona.

A study conducted for the Appraisal Institute to be published in the spring issue of *The Appraisal Journal*, investigated the pricing and the related premiums associated with homesite views. "The Million Dollar View" by David Wyman and Stephen Sperry reiterates what we've always known - water is liquid gold. The study focused on approximately 600 lots sold between January 2000 and December 2008 at The Reserve at Lake Keowee, a 3,900-acre private golf community with a Jack Nicklaus golf course and located on an 18,500-acre lake in South Carolina's upstate. The bottom line: Lake front lots beat out lake view lots, which beat out golf course lots. The price premiums ranged from 124% to 287% for lakefront lots; from 94% to 133% for lake view lots; and from 42% to 85% for lots with golf course views. The study also points out that even after the housing bubble burst, lakefront lots continued to sell -- and at increasing prices.

Business Bits - International law firm Greenberg Traurig has an extensive Real Estate Practice that delivers legal services for full-cycle real estate needs. They recently published a discussion on "Repositioning Golf Courses," a timely topic in light of today's housing and golf environments. According to the brochure, "Many stand-alone golf courses were built approximately 10 years ago and are now directly in the path of development. As such, for many of these sites, most, or all, of the necessary infrastructure is already in place. In addition, because of the golf course use of the property, very few, if any, environmental issues should exist with these properties." GT's Land Development, Real Estate and Club Groups have the industry knowledge to assist golf course owners explore, evaluate and implement a redevelopment strategy that will align with their specific needs and challenges. Click [here](#) to go their website and scroll down to and click on "repositioning golf courses" to download a copy of the brochure, or contact Dennis Hillier at hillierd@gtlaw.com.



Bulletin Board

It's a brand new day at Balsam Mountain Preserve. After a brief six-month hiatus, one of the Southeast's premier private communities is back on track led by international resort industry veteran Ken Costanzo. In his role as president of Balsam Mountain Preserve, Costanzo is dedicated and optimistic: "The worst of the real estate downturn is behind us. Balsam Mountain Preserve now has the advantage of stable, institutional ownership and no debt; we're moving forward expeditiously to complete this exceptional project in one of the country's most beautiful settings." Immediate plans at Balsam Mountain Preserve call for the May opening of the [Arnold Palmer Signature](#) golf course for the season, and the marketing and sales of the community's remaining 100 or so building lots.

Charlottesville, VA-based Equestrian Services LLC has opened an office in Shanghai and formed a partnership with Luke Nolan and Byron Cole of Pine River Asia, a real estate brokerage and advisory firm, to expand and develop new business opportunities for Equestrian Services - Asia. Nolan has been in the Chinese real estate industry since 2005, beginning with Cushman & Wakefield's Shanghai office. Cole began his career in China with the American law firm of Paul, Hastings, Janofsky and Walker, also based in Shanghai. Both live in China and speak Mandarin fluently. Luke can be reached at LukeN@eqsv.com.

The Cliffs Communities has achieved some significant support from member/residents of their extensive portfolio of Carolina communities. Participants were asked to lend a minimum \$100,000 to Cliffs Club and Hospitality Group Inc., a Cliffs subsidiary which issued 7-year bond notes paying a 12% annual interest rate. As collateral, Anthony put up many of the communities' amenities including golf courses, restaurants and wellness centers. The capital campaign resulted in a \$60 million shot in the arm that will allow for the completion of ongoing projects including construction at the developer's two newest communities, Mountain Park and High Carolina.

Sales Skills – The 2010 RE/MAX Recreational Property Report found significant year-over-year gains at most major Canadian recreational property markets this year. The report, which highlights trends in approximately 50 markets, found that 79% of recreational areas reported gains in the number of properties sold while 43% reported increases in prices during the first three months of 2010. Upper-end market activity was most prevalent in Atlantic Canada and smaller centers in Ontario where home prices start at about \$400,000. The most expensive house sold in Canada in the first quarter was in Vancouver's west side; an 11,600 square foot home on a ¾ acre parcel for \$10 million. Whistler-Blackcomb reported six sales over \$2 million in Q110. The most expensive home sold in Whistler was a 4,000 square foot ski-in/out residence for \$4.0 million.





Bulletin Board

Hampton Lake, an award-winning lakefront community located in Bluffton, SC is also achieving heightened sales activity with 48 sales posted for the first four months of 2010 including homesites, single-family homes and attached townhomes, nearly doubling the transactions for the same period in 2009. The community also notes that year-over-year prospect leads have increased in number with the community's "Sneak-a-Peek" program hosting 70 participants through April.

Acquisition Activity - Home builders have become extremely active on the land acquisition front as prices begin to creep up. Nationally, the prices for finished lots are up approximately 20% from early 2009, on average. But some markets, such as Phoenix and Southern California have reportedly seen prices rise as much as 60%. Nationwide, well-located improved lots are garnering twice as much as they would have a year ago.

Builders involved in the current "land rush" include Toll Bros., which has purchased or put under control approximately 3,000 home sites in the last four months including their highly reported Hasentree acquisition. Toll also closed on 92 acres including 171 platted lots in Colleyville, Texas, an affluent North Dallas suburb. K. Hovnanian closed escrow on a 5.12-acre single-family home development less than a mile from Carlsbad State Beach in California. Plans call for a Spring 2011 grand opening.

Standard Pacific has also embarked on a land-buying program, approving \$105 million for the acquisition of 1,800 lots. The company reports a year-over-year increase in new orders of 3% in Q110. Lennar spent \$154 million to acquire 3,300 home sites in the first quarter of its fiscal year, and Pulte has finalized a \$26 million land deal in the Bay Area and recently picked up 88 lots in Gilbert, AZ for \$5.7 million.

DR Horton has been one of the most active builder buyers, planning to add as many as ten communities to each of its markets over the next year. In the three months ending March 31st, the value of lots Horton had under development, held for development, or controlled stood at \$3.76 billion. During its latest fiscal quarter, the builder's closings reportedly jumped 19% to 4,260 homes, representing 103% of its backlog.

Manatee County, Florida has been a hot spot for builders lately and is one of Texas-based Horton's expansion markets. Horton purchased 170 lots recently and has contracts or options on 110 more. Medallion Homes has paid \$9.26 million for finished lots in four subdivisions, three of which are in Manatee, and Minto Homes, a subsidiary of a private Canadian firm, has bought an undeveloped condominium project on Perico Island and several lots in Lakewood Ranch's Country Club area.



Bulletin Board

Property Prospects - Holliday Fenoglio Fowler, L.P. (HFF) has been selected to market three iconic hotels in the San Francisco Bay Area: The Huntington Hotel and Galleria Park in San Francisco, and La Playa Hotel and Cottages-by-the-Sea in Carmel. The hotels are being offered for sale as a portfolio and not on an individual basis. Constructed in 1924, the 140-room Huntington Hotel is located atop Nob Hill. Galleria Park is located in the heart of downtown San Francisco and is operated by Joie de Vivre Hotels. La Playa is a boutique Mediterranean-style resort located two blocks from the beach. HFF managing directors Michael Leggett and Gerry Rohm will lead the investment sales team on behalf of the seller.



The Huntington





Bulletin Board

New Developments – Secret Harbour at the Ritz-Carlton Grand Cayman is breaking ground this month. The new waterside community has seen robust market response resulting in the project being more than 50% pre-sold at prices just under \$1 million. Only two of the community's harbour-front lofts with roof top terraces remain on the market.

A new condominium development is taking shape within Club Campestre, in San Jose del Cabo, Mexico. Las Villas De Mexico is a 266-unit master-planned condominium project by Homex, Mexico's largest homebuilder. The wholly owned, managed properties start at \$380,000 for the remaining first phase units. Amenities include a resort-style swimming pool, a fitness center, beach club, restaurant and concierge services.



Las Villas De Mexico Rendering

Olde Mill, an 850-acre master planned resort community located in Laurel Fork, VA recently unveiled its fourth housing option. The Overlook's 1,300 square foot, two-bedroom/two bath condominiums have mountain craftsman-style architecture, and are priced in the \$239,000 to \$309,00 range. Community amenities include an award-winning Ellis Maples-designed golf course and a 54-acre recreational lake. The Overlook Villas are designed by Atlanta-based Garrell & Associates.



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Cost Reduction Opportunities for Recreational and Resort Communities
By Steve Vest, CFA

It goes without saying that the last couple of years have been economically challenging for both commercial and non-profit organizations in the U.S., and certainly this dilemma would extend to recreational and resort communities. Traditionally, the first impulse among owners and managers facing eroding profitability is to cut services or staff, a somewhat dubious calculation when considering the long-term consequences of these actions.

Without getting into the debate surrounding the viability of certain business models in today's recreational environment such as whether the appeal of golf itself or general demographic trends are sufficient to support current budget requirements, there are realistic measures that can be taken to -- at least partially -- mitigate revenue shortfalls.

Organizations, irrespective of their type, essentially have two broad means that can be taken to improve profitability: 1) increase revenues, or 2) reduce costs. Increasing revenues is often a difficult proposition, at best, although it may be argued that creative marketing can offer great potential to those willing to utilize it. Still, if the overall [economic] pie is not growing, aggressive marketing will serve only to benefit the more creative at the expense of the less creative.

The alternative to raising revenues is to reduce costs. Surprisingly in this country, only a small number (below 10%) of organizations have ever undergone an independent, comprehensive analysis of their expenses, despite the fact that cost reduction usually is so impactful. Furthermore, and depending on the profit margin of a given organization, it would require at least five times the amount of revenue to produce the equivalent amount of bottom line benefit that cost reduction can generate - without a penny invested in marketing.

Although most organizations employ accountants, treasurers and/or CFOs, their typical policy in this regard is to look only at trends, or exceptional, possibly one-time only, expenditures and to assume that the status quo should not be disturbed.

It is not meant as a criticism to suggest that these folks are usually missing the forest for the trees (or, perhaps better stated, the trees for the forest.) The fact of the matter is that they simply cannot be expert in all of the categories of expenses found on any P&L statement. Let's look, for sake of discussion, at some of the line items that would be found on a resort's or recreational facility's books: Electric utility costs (including lighting), internal-equipment maintenance (including that for heating and A/C, restaurant, water supply, and waste removal or mitigation), vehicle maintenance, facility maintenance, IT, telecom and security systems and service contracts, advertising, office supplies, uniforms, merchant card processing, insurance (of all types), human resources, travel, and the ever-popular financing expenses. Consider the staff size that it would take to establish not only the appropriate "baseline" numbers for these items, but have the sophistication and capability to access alternative vendors for them, or to re-negotiate existing contracts, if necessary. Fortune 500 companies have entire departments devoted just to this arena; smaller organizations can't afford them.



Cost Reduction Opportunities (Continued)

It must be emphasized here that we are not speaking of small potatoes in the aggregate when assessing the excess spending in these categories. It would be hard to envision that most clubs or resorts of any size would not have adjustable expenses - i.e., excluding salaries and commodity related supplies - in the million dollar-plus range. It is no exaggeration to state that an expense audit would be expected to uncover potential savings, on average, of \$200,000 to \$300,000 at this level of expenditure and that the greater the gross expenditures, the greater the cumulative savings benefit. Additionally, not only can the savings occur in the first year, but recur in the years to follow.

So why is it that more organizations don't employ an outside consultant to evaluate their spending patterns? In part, it's because owners don't realize such services exist; in part because they first need a nudge from a trusted source before they'll try something "new;" and, in part because they're convinced their staffs can handle it.

Although expense reduction is not the only answer, it is one of the answers, and one that can be accomplished with no financial risk or out of pocket cost to the organization, as fees are based on a split of realized savings.

[Pearl Logic, Inc.](#) is a consulting firm specializing in Operating Cost Reduction and Optimization services for a variety of private and non-profit organizations. For further information contact Steve Vest at 954-547-5944 or svest@pearllogic.com. Our thanks to Steve for his informative contribution.

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Fractional Focus

The [Ragatz and Associates](#) Shared Ownership Conference was held in March. The outcome of the firm's annual research revealed an industry in the throes of awaiting a turn around. As with all real estate in recent times, shared-ownership product sales and prices were down in 2009 amounting to \$860 million compared to \$1.52 billion in 2008 and \$2.3 billion at the industry's peak in 2007.

Critical impact factors included economic uncertainty, poor financing conditions, decreases in primary home equity, and a reluctance by potential buyers to participate in "conspicuous consumption." Additionally, a glut of whole-ownership vacation homes at increasingly attractive prices, cuts in marketing budgets, and a drop in luxury hotel room rates combined to create the "perfect storm" resulting in 31 projects falling out. Nevertheless, 18 new projects began sales in 2009 resulting in 125 active projects compared to 138 in 2008.

Shared-ownership product composition has remained relatively similar year-over-year, with a subtle tendency toward fewer bedrooms and smaller units and shares, presumably in deference to price sensitivity. Location continues to be dominated by the US with Colorado, California and Florida accounting for 25% of all shared-ownership developments. The average development in 2009 was planned to comprise 41 units upon completion compared to 38 in 2008; some 68% of the units are either two- or three-bedroom models compared to 73% in 2008; and among all units, the average size was 1,550 square feet compared to 1,600 square feet in 2008. Addressing a buyer profile that alludes to more money than time, approximately 65% of private residence clubs offered a 1/10 or 1/12 ownership share in 2009 equating to approximately four weeks of usage.

Resort real estate practitioners believe that the shared-ownership industry will rebound rapidly and with vigor as the economy makes its way through recovery. Reasons for this opinion are varied but focus largely on the product concept, which is founded in personal use rather than speculation, flexibility, and ease of ownership. Lock and leave, hassle-free vacation home ownership enhanced by high-quality services and amenities would not be expected to go out of vogue anytime soon, and remains a theoretically productive development plan within a high-end resort environment. The shared-ownership product broadens the spectrum of interest and levels the playing field for those that cannot afford a whole ownership product in a luxury resort environment, or can't justify owning a second home that goes unused most of the time.

Recently introduced shared-ownership products include The Sanctuary at Hampton Lake. The 25 Club Residences will be offered in 1/8 shares starting at \$175,000 during the introductory period. All homes are 3,100 square feet and are accessorized right down to the bicycles and golf cart waiting in the garage. The floorplan features two master suites and a study on the main level and a "bunkhouse," bath, and owner storage on the second floor. A full-service concierge program will be available and residents will have full membership privileges at all of Hampton Lake's recreational spa and fitness facilities, including access to the adjacent championship Pete Dye Signature golf course at Hampton Hall. < >



People and Places

According to the Pew Research Center, approximately one in every six Americans lives in a multi-generational household. This represents a 30% increase since Census 2000. The primary driver of the trend has been the economy as more and more aging Americans are opting for aging in place and home health care. The proportion of adults older than 65 living alone has decreased from 28.8% in 1990 to 27.4% in 2008. The most likely multi-generational scenario is a parent who owns a home and shares it with an adult child and a grandchild. Older women are more likely than older men to live in such a household.

These findings support the thesis that the dependency pendulum is swinging back. The last time a dependency trend was at issue with regard to housing was 1965 when there were 95 dependents for every 100 adults between the ages of 20 and 64. By 2002, the empty-nester syndrome had become prevalent with just 49 dependents for every 100 working-age Americans. Projections call for the ratio to expand to 80:100 by 2025. The main difference between the periods is that in the 1960s, most dependents were youngsters while most of the dependents going forward are expected to be elders. *Source: Newgeography.com*

According to a recent survey conducted by Coldwell Banker, more singles are buying homes in suburbia, are buying less than they can afford, and men outrank women when it comes to purchasing foreclosures. More than 50% of singles chose the suburbs over urban or rural areas; 55% chose a home located fewer than 30 minutes from their jobs; and 40% selected homes within 30 minutes of their parents and/or extended family members. Nearly 70% elected to purchase a home priced lower than what they could theoretically afford/qualify for.

Policom Corporation, a Florida-based independent economic research firm, reports that the Seattle, Washington metropolitan area has the strongest local economy in the nation, boasting rapid, consistent growth in both size and quality. The "quality" of an economy is based upon what people earn, as this influences their standard of living. The study measured 23 different economic factors over a twenty-year period to determine how economies behave over the long-term. Rounding out the top five metro rankings were Washington, DC/VA/MD-WV, Denver-Aurora-Broomfield, CO, Houston-Sugarland-Baytown, TX, and Sacramento-Arden-Arcade-Roseville, CA.

The Institute for Regional Forecasting (IRF) predicts that 3.7 million people and 1.5 million jobs will be added to the Houston MSA over the next 25 years. By 2035, IRF estimates that the area will have four million jobs and 9.5 million people. They further predict that Houston's suburban counties will see the lion's share of growth.



People and Places *(Continued)*

Dallas, TX has grown by half a million people and 180,000 jobs in the last year and is home to more Fortune 500 companies than any other US metro. Dallas is tax-friendly and pro-active with respect to its business climate, and boasts a cost of living well below the national average. Dallas came in at #10 on Policom's rankings.

The Brookings Institute has concluded that El Paso, TX outperformed most major cities last year and is well-positioned to continue to attract business, ranking it the nation's 16th strongest economy of the top 100 metros. Forbes concurs, naming it the sixth-best city relative to "cost of doing business" on its annual list of Best Places for Business and Careers. Forbes also ranked El Paso as the No. 1 city where Americans were getting richer, citing median income growth of 19.39% in 2009. El Paso's median home price declined 3.6% in 2009, modest in comparison to the national rate of 12%. During the past two years, more than \$2.5 billion has been allocated for health-care-related construction projects throughout El Paso.

Orlando, Florida's economy is getting an economic boost with the development of the 600-acre life science cluster to be known as Lake Nona Medical City. The cluster, which will be the focal point of Lake Nona's 7,000-acre Development of Regional Impact, (DRI) is considered an economic engine for Central Florida, projected to add 30,000 jobs over the next ten years. The Lake Nona DRI has approved entitlements for 9,000 residential units, 2,250 hotel/resort villa units, and 6.8 million square feet of retail, office and light industrial space. Orlando's housing market has been pummeled by the housing debacle. More than two-thirds of all April home sales were distressed sales with REO accounting for nearly half of all sales activity in the Central Florida market. On the bright side, the median REO sales price increased 1.6% in April to \$72,900 and the median short sale price grew 1.7% to \$115,000.

Las Vegas home prices saw their first year-over-year increase since 2007 in April. The median price of a single-family home rose to \$142,000, up 0.2% from a year ago and 4.4% over March. Median prices have reportedly been relatively stable for about a year, bottoming at \$134,915 in January. According to MDA DataQuick, sales volume was at a four year high in February when a total of 3,698 new and existing homes were sold representing a 9.8% month-over-month increase and a 10.5% jump from one year ago.

Home sales in the Portland, OR metro area jumped 49.1% in April, year-over-year, presumably due to the first-time homebuyer tax credit. Oregon had the 13th highest foreclosure rate in the country in April. The median price dropped 3.1% in April to \$282,100 from a year ago, but homes are spending less time on the market, down to 127 days from 138 last April.

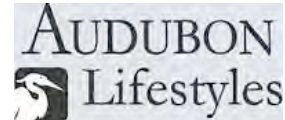
Big bucks buyers are back. A recent report by Prudential Douglas Elliman Real Estate noted that Q110 home sales in New York's tony Hamptons were up 173% year-over-year, and the median sales price rose 35% to \$908,500 for the same period. As usual, the ocean represents liquid gold. The closer the property to the Atlantic, the higher the prices, which rose 86% for homes south of Montauk Highway which runs east and west a few blocks from the shoreline. < >



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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 . . ."

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Judith Shé, Managing Editor Ralph S. Bowden, Editor-in-Chief

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