

Pulte Finds Outlying Metro Areas Prime for Active Adults

Baby boomers who are in the market for a new home as they settle into a new lifestyle that is halfway between retirement and the workaday grind may be prime candidates for communities on the outskirts of heavily developed areas, where land is still available at a reasonable price, seniors housing experts said at the Building for Boomers & Beyond Seniors Housing Symposium in Chantilly, Va. last month.

"Every major builder in the last 10 years has been getting into the active adult market," said Dave Schreiner, who oversees Pulte Homes' Active Adult Business Development in 46 markets.

"There are no rules and there's no rulebook to this business," said Margaret Wylde, president and CEO of ProMatura Group in Oxford, Miss., a company that provides consumer and market research for builders and developers. And there's "no magic formula" that will lure 55+ prospects to the hinterlands because of the unique characteristics of every community and market segment. "Your customer is the real dictator of what they want," she said.

Schreiner conceded that "it's getting tougher and tougher to get property" and when a developable site is found "there's almost always some negative. It's next to an interstate, a ramshackle Motel 6, a pizza box manufacturing plant." The trick, he advised, is to minimize the impact of the negatives on the site and get the right balance between the positives and the negatives.

For example, he said, Pulte fairly recently scored success with a community in Airmont, N.Y. with a big negative - an interstate - along one side of the property by building a "great product" at a "great price" and orienting the site plan so that "it lives inward."

Wylde advocated a trade-off analysis for semi-remote locations to solicit information on the negatives that prospective buyers might be willing to make to obtain the housing they are looking for at a price point they can afford. "You can overcome the detractors and you can learn ahead of time what it will take to swing the pendulum," she said.

Among the tips the two speakers provided on landing and developing successful sites for active adult housing:

- * Look for population density, said Wylde, realizing that demand in the heart of that density will always be good but the land will often be scarce. And don't just look at where 55+ buyers are moving, but also consider the areas that are popular among younger households.

- * Most of these buyers don't move, and of those that do, most will want to stay within 100 miles of their existing homes. Only 20%-30% are willing to consider moving outside that radius, which puts the market primarily within the big metro areas, with the exception of the large destination communities typically found in the Southwest.

- * Look for job growth and sites that are within reasonable proximity of jobs, Wylde said, to accommodate adult customers who will be having a tough time making a clean break between working and retirement. It used to be that 80% of this age group retired, said Schreiner, and now it's down to 50%.

- * Be aware of the grandkids factor. Seventy percent of active adult residents want to be in the same general areas as their children, according to Wylde. Twenty percent actually move so that they can be closer to them.

- * "Look at what's over the next hill," said Schreiner. "The farther you get from one thing, the closer you get to something else," he said, and "you can go 100 miles from New York and there are towns out there."

- * Creating "wow" on the site is important for these buyers," Wylde said. Capitalize on the topography, creating parks and water features. "What people look for the most is to have a view," she said; 80% want one.

- * Cost overruns kill projects, Schreiner warned, and they almost all happen in land development and are related to the topography. No traffic is also deadly to a project. Locations where there is drive-by traffic are favorable, Wylde said; 20%-25% of the prospects who visit the community say they found out about it by seeing it being built.

* Having restaurants, fitness centers and coffee shops nearby is important, said Wylde.

* Walking trails are important to accommodate the leading recreational activity of members of this age group, said Schreiner. More maintenance is required for hard surfaces than soft trails, but weather can be a factor. "If you have four miles of asphalt trails in a harsh climate, you're going to be replacing those trails at some point." He also noted that outdoor amenities are cheaper than those indoors, they look good and can be built earlier in the process.

Job flexibility for when and how long they work is a key factor for active adults, Wylde said, and many of them won't be full-timers.

"People gravitate to what they were doing in their main career," Schreiner said, "but they want more flexibility. A metal shop was set up in one of Pulte's large, more self-contained senior developments to build mailboxes, he said, and the workers it attracted had all been in the metal-working business. "They didn't dislike what they were doing" in their jobs, he said. "They just didn't like the structure."

Schreiner said that the cost of living is the single most important factor for senior households. "When an active adult retires, they don't get a raise," he said. "Their lifestyle can change substantially with an even modest difference in the cost of living."

The \$20 a month it will cost a buyer to pay for the guard at the gate, the clubhouse or the fitness center could be the reason they walk away from a community, the speakers cautioned, so the benefits of the amenities that are being planned and their costs need to be weighed carefully, especially in smaller projects.

"Business centers are no longer important because you can do everything in your home," said Wylde. In her company's research on fitness centers, she said that the older adult market is the fastest growing segment of the fitness industry, but less than 20% have memberships in health facilities. "Many communities are not large enough to support a fitness center," and there is only so much that buyers will be willing to pay to have one.

Even so, Schreiner indicated that there is definitely momentum behind the health and fitness trend for active adults and "every facility for wellness we build is too small." Schreiner noted that the active adult market widely prefers single-family detached product, but a number of Pulte's projects use a variety of housing types to get the density they need. "Single-level living is what you strive for," meaning that two-story houses are pretty much out for this group of buyers.

To price the product, Wylde suggested looking at median home values and incomes in the area as a benchmark. "What people can get for their homes and how fast they can sell them" is a major factor, she said. However, to trade up baby boomers won't be adverse to taking out mortgages. Even households that are in the 75+ age bracket are taking out mortgages in today's marketplace, and that was previously unheard of, she said.

If home prices in the new community aim significantly higher than can be supported by the median-income in an area, marketing is critical, she said.