

Washington, D.C., Master-Planned Communities on the Rise

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The big story for master-planned communities (MPCs) in the Washington, D.C., area in 2013 is that they were generally able to achieve sales similar to or above 2012 levels, despite the challenges confronting D.C.-area home sales. Residential sales in 2013 in the Washington area were strong during the first half of 2013, but, as one of the MPC developers we interviewed noted, we had a “Jekyll and Hyde market in 2013.” Another noted that the government shutdown and sequestration “took the wind out of the sales.” The good news is that this should be behind us, and all of the developers and builders we interviewed expect 2014 to be a better year than 2013.

Every year since 1994, RCLCO has conducted a national survey identifying the top-selling MPCs, followed by in-depth interviews among the top 20 to reveal the trends behind the numbers. This year, Brambleton in Loudoun County, with 373 net sales, was number 18 on the national list. In addition to Brambleton, the D.C. area, for the first time in a number

of years, has a large number of MPCs across the region that are selling well. Four projects in Loudoun County together accounted for approximately one-third of the total new home sales in the county, and the seven projects in Table 1 captured approximately 15% of the region’s new home market.

Five of these communities are located in the favored quarter of growth, including four in Loudoun County, but location alone is not what sets MPCs apart from single-product subdivisions. They all create a lifestyle and offer a wide range of products targeting the entire spectrum of the market. Figure 1 below shows the locations of these projects.

Select Top-Selling MPCs in the Washington, D.C., Region

Community	Location	Sales Started	2013 Net Sales	2013 County/Region Closings ¹	% of County Closings	2012 Sales
Brambleton	Loudoun County	2001	373	3,229	12%	466
Stone Ridge	Loudoun County	2002	319	3,229	10%	213
Clarksburg Village	Montgomery County	2004	281	1,424	20%	232
One Loudoun	Loudoun County	2011	243	3,229	8%	75
St. Charles	Charles County	1970s	240	660	36%	271
Potomac Shores	Prince William County	2013	Not available	1,325	N/a	Not open
Willowsford	Loudoun County	2011	168	3,229	5%	88
Total Region			1,624	11,082	15%	1,345

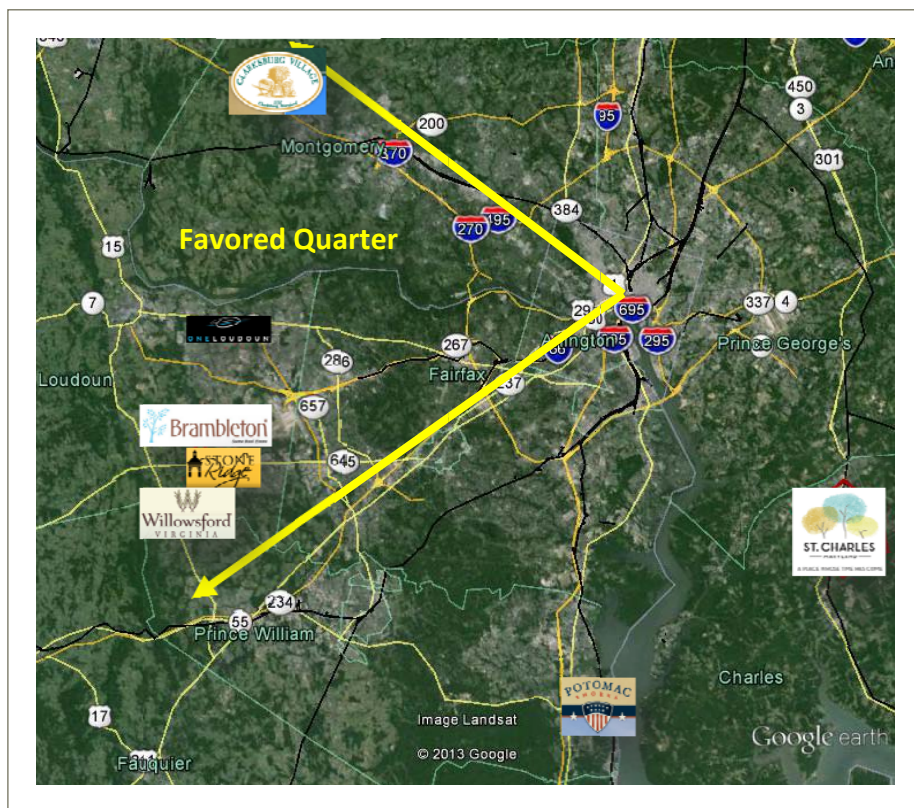
¹ MetroStudy

Source: RCLCO

RCLCO is often asked what makes a successful master-planned community. There have been changes over time, but many of the qualities that marked success in the first MPCs are still prevalent in the newest MPCs. Some of the proven keys to success include:

- 1. Lifestyle**—All of the top-selling MPCs provide their residents with a sense of community and a lifestyle not found outside of large projects. For example, Brambleton has a wide variety of amenities, a town center, and multiple resident-led organizations, and it organizes events to bring the community together. The community is thriving, and new buyers have the benefit of neighborhood schools, a complete amenity package, and the town center close to their homes. Residents talk about never leaving the “Brambleton Bubble.” In addition, Brambleton continues to offer new builder designs and one of the widest product mixes in the region. All combined, this ranks Brambleton as the top-selling MPC in the region.
- 2. Great schools**—Many of the projects are located in well-regarded school districts such as Loudoun and Montgomery counties. Even when not served by the region’s best schools, MPCs can still benefit from promoting high-quality education. Charles County will open a new high school, St. Charles High School, in August 2014. Sales at the St. Charles community have already benefitted from this new school and its associated technology. Potomac Shores is appealing to buyers who are attracted by a highly regarded Catholic high school that is located within the MPC.

Figure 1. Location of Select Top-Selling MPCs in the D.C. Region



Source: Google Maps; RCLCO

- 3. Wide variety of product lines**—Stone Ridge offers six product lines from two builders, ranging from elevator condominiums from the upper \$200s to single-family detached in the low \$600s. This allows them to target the entire spectrum of buyers.
- 4. Strong amenity package**—Potomac Shores is an example of a project with a wealth of amenities. They have or are planning a golf course, pools, trails, sports fields, community centers, a town center, and a marina. They will be one of the only new projects in the area offering a golf orientation. In addition, many of these communities offered their amenity packages up front and early so consumers could see, touch, and use them. One unique, new amenity in an MPC is the farm located in Willowsford.

- 5. Retail and other services**—Many of the large MPCs offer residents shopping and other services, which is an amenity and an element of lifestyle creation, but also a benefit in its own right. The only one of the surveyed MPCs that does not include retail is Willowsford.
- 6. Strong execution**—One of the often overlooked areas of MPC success is strong execution. This includes the landscaping, signage, and overall look and feel of the community. To command higher prices and achieve a strong sales pace, it's necessary to be at the top of the market in terms of execution. Willowsford has done a tremendous job of providing high quality by having strong execution in their information centers, amenities, and landscaping.

There are two trends from the last couple of years that we are watching closely in newer MPCs—product innovation and a strong, distinct orientation.

Product Innovation

Most of the large-scale MPCs in the region have been experimenting with new architecture, product lines, and floor plans. This has brought an exciting new element to the D.C. market, and buyers have been very responsive to the new plans. In Willowsford, Arcadia Communities is offering a completely different

Interior Model at Willowsford



Source: www.willowsford.com

line of homes both from a floor plan perspective (single-story product) and from an architectural perspective (Prairie style architecture). All of the builders in Willowsford are offering product that is only available in Willowsford. Even the larger national builders, such as Beazer Homes and Pulte Homes, have floor plans that are unique to Willowsford. The interiors have also been decorated in a manner that is unique in Northern Virginia.

It's not just high-end communities that are offering new product types. St. Charles offered a 20' townhome product with a detached garage by Ryan Homes. They didn't expect this to be a best seller, but consumers loved the three levels of living that were provided because the garage was detached. These townhomes appeal to single moms and entry-level buyers, as well as empty nesters.

Strauss Townhome



Source: www.ryanhomes.com

At One Loudoun, Miller & Smith and Camberly Homes are offering a downtown single-family home collection on small lots with rear-loaded garages and front steps leading up to the front door. The product is unusual for Loudoun County in that it offers a smaller home on a smaller lot in an urban configuration. Of note, all of the single-family detached homes at One Loudoun have maintenance included. This has proved to be very popular with buyers, in particular downsizers who like the feel of a SFD but are not interested in the yard work.

One Loudoun



Source: www.oneloudoun.com

Finally, at Potomac Shores, NVR, through their Ryan Homes and NV Homes divisions, is offering a new set of floor plans for buyers. They have been successful offering an upscale, unique home that is priced

Potomac Shores



Source: www.potomacshores.com

substantially above the eastern Prince William County market. This is confirmation that a well-executed MPC can perform above the local market by providing an upscale community and home product. Consumers can be willing to pay for quality, even in markets where more upscale product is not typically offered.

Orientation

Another key trend we have noticed in successful MPCs is the strong, distinct orientation of the projects. Clarksburg Village is a hybrid traditional neighborhood design (TND) that offers the lifestyle and architecture of TND projects, but also includes front-loaded product. It offers residents a great lifestyle, including amenities, schools, and retail, in a walkable setting with distinct architecture.

Clarksburg Village



Source: www.clarksburgvillage.com

Each of the large projects in Loudoun County offers a unique orientation that helps differentiate it from the others. One Loudoun is providing an urban setting in the suburbs; Willowsford is providing a farm, open space, and agriculture; Brambleton has a large town center and provides the time-proven MPC lifestyle; and Stone Ridge features a live/work/play orientation with many product lines. The key for these large projects is finding their brand and theme, and using them to market the project and set the tone for the entire experience.

What Are We Not Seeing?

It is also interesting to note what we are not seeing in these Washington-area MPCs:

- Smaller homes—For the most part, builders and developers reported that purchasers are buying as much house as they can afford.
- Changes in lot-to-home-price ratios—They have remained steady.

- Changes in the manner in which builders are buying lots—Most of them are purchasing finished lots, and there is a lot of demand for them.

What to Watch in 2014 and Beyond

RCLCO spends a lot of time thinking about and researching the future of the housing market. Here are trends we, and our clients, are watching:

- The spring selling season in 2014—It will define the year.
- Green technology—Will it go beyond energy savings? Stone Ridge is exploring the opportunity to offer a home that is completed controlled and monitored electronically. Will buyers be willing to pay for it and/or come to expect it?
- Suburban condominium product.
- Baby boomers—What is the opportunity for AAC and/or age-restricted/targeted condominium product in large MPCs? Many of these projects are considering adding an age-restricted product.
- Redevelopment—In the accessible Washington suburbs there are not many locations left for large-scale greenfield development, which may result in more consideration of redevelopment.
- The role of the information/marketing center—They seem to be coming back in large MPCs. Will smaller projects follow suit to try to sell lifestyle to consumers before they sell the house?
- Continued trend towards offering a master-down product—When will all the builders catch on?
- Gen Y—When will the 30% of 18-30 year olds living with their parents move out? We are anticipating the type of product they will desire.

Overall, 2013 was a strong year for D.C.-area MPCs. The sheer number of large projects with sales of approximately 250 or more per year is a testament to the returning strength of the market, and to buyers' willingness to pay for the quality, lifestyle, and convenience that is offered in large-scale MPCs.

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