REPORTER'S NOTEBOOK

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Jennette Smith

Brokers are my lifeblood for keeping tabs on commercial real estate.

That said, I think there are too many of them in metro Detroit.

When I was covering the booming market of the late '90s, there was plenty of business to go around. That changed a few years ago with the downturn. Now prospects for new business are elusive.

While we've made it through the bottom of the market, it may not grow to previous levels, because of automotive market-share losses and other factors. Today, while lots of smart, well-connected brokers are doing OK, there isn't enough business to keep them all as busy as before.

Some believe that the next few years will bring some attrition.

Mark Woods likens the whole thing to fish in a bucket. Ten years ago, there was both plenty of water (business) and plenty of fish (brokers) in the bucket. Now there are a whole lot of fish and not much water.

"Ten years later, there's still 450 brokers in the bucket," said Woods, vice president and managing director of operations of **Signature Associates-Oncor International** in Southfield.

Expect a few things to happen. First, new brokers may choose to leave for a busier city or for a different profession. Second, look for more broker turnover. We've already seen a recent shift at the executive level with Woods leaving the helm at **Cushman & Wakefield of Michigan Inc.** and Mike Gerard moving from managing director of the local **Grubb & Ellis** office to head the **CB Richard Ellis** in Southfield.

The next wave may be more moves of individual brokers, a trend that started in 2004. Such was the case when Larry Emmons left Grubb last year to become regional director for **First Industrial Realty Trust**. Gerard said he predicts some shifting around as companies and individuals take stock.

During Detroit's last downturn, many Detroiters went to Houston to work in a booming market. Mike Moran, a senior vice president at **Colliers International** in Southfield, was one of them.

"The cry was, 'The last person out of Detroit turn out the lights,' " he said. "I came back in 1988 when everybody in Houston was saying, 'The last person out of Houston turn out the lights.' There are definitely cycles."

Florida and the Carolinas may be considered today's hot career destinations.

For brokers who stay, there will be a battle over limited new business. There are many brokers with the clients, experience and relationships to continue to thrive. For those who choose a different path, it *is* easier to swim in an ocean than a bucket.

Focus

REAL ESTATE

CRAIN'S SEEKS NOMINEES FOR REAL ESTATE AWARDS

Crain's Detroit Business is now seeking nominations for its Real Estate Excellence Awards. The awards are given in conjunction with the **University of Michigan Real Estate Forum** and the **Urban Land Institute**.

Nominations are being taken until Aug. 22. Forms are available online at www.crainsdetroit.com. Click on "Surveys and Forms" under Resources on the gray navigation bar on the left. Winners will be featured in *Crain's* and will make a presentation at the real estate forum on Oct. 19-20 in Ann Arbor. For more information, call Mary Ann Short at (313) 446-6038.

REBECCA COOK

Steve Atchison, president of Pulte's Michigan division, described the Del Webb project in Brownstown Township as "a great place to bring your grandkids — that's what this center becomes."

8/2/05

Housing boomers

As biggest generation starts to retire, Pulte steps up construction of Del Webb retirement communities

BY JENNETTE SMITH
CRAIN'S DETROIT BUSINESS

Pulte Homes Inc. is banking on baby boomers.

The Bloomfield Hills-based home-building giant is buying land and making plans for new **Del Webb** retirement communities across the country in a major extension of the business it acquired in 2001. As part of these plans, Pulte will bring Del Webb to its home turf with projects in Brownstown and Grand Blanc townships. These are set to open this year and next.

"The demographics are truly on our side," said Richard Dugas, president and CEO of Pulte (NYSE: PHM). "It's not only a big demographic today — it's going to be huge."

Dugas

Today, there are more than 44 million Americans between 55 and 75. The group — prospects for Del Webb and other retirement-community developers — is expected to balloon to more than 80 million by 2020 as the boomer generation ages.

PULTE HOMES INC.

Headquarters: Bloomfield Hills.
2004 revenue: $11.7 billion.
2004 net income: $986.5 million.
2004 net income per share: $7.58.
2004 average home selling price: $287,000.
Wednesday stock price: $91.71.

From now through mid-2006, Pulte plans to open 22 Del Webb communities, including the two in Michigan. The plans vary from 350-home developments to megaprojects with more than 7,000 homes. In addition, Pulte has opened more than 20 Del Webb projects since the $1.7 billion acquisition.

About one-third of Pulte's annual revenue of $11.7 billion comes from Del Webb's retirement communities. Dugas said Del Webb is an important part of Pulte's segmentation strategy, which is to sell homes at a variety of prices to a wide range of buyers. Dugas said Pulte is acting quickly on its expansion to reap the benefits for the next 20 or 30 years.

"We know the demand and supply is skewed," he said.

As developers and builders learn about the evolving preferences of retirement-age buyers, more projects for the group they call "active adults" are expected in metro Detroit and nationwide.

"Del Webb is a reflection of the marketplace," said Michael Kahm, vice president for West Bloomfield Township-based **Singh Development Co. Ltd.** "The market tells us what to do. You just have to adjust as the times change."

Competitors say there is plenty of room for Del Webb and a variety of other projects designed for older buyers.

"Del Webb is a completely different product than what we are offering," said Fred Moschetta, director of sales for Baltimore-based **Erickson Retirement Communities**' Fox Run Village in Novi. "There need to be more options out there. People don't want to stay in their (existing) homes and be burdened."

Before the acquisition, Pulte's attempts at reaching retirement-age buyers were deficient because the company didn't understand the market, Dugas said. The company pounced on the opportunity to buy the Phoenix-based developer in 2001 because it was clear Del Webb did understand. That means providing everything from a social coordinator to weight rooms, tennis courts, pools and walking paths.

"It's not just building a ranch home," Dugas said. "There's the sense of community."

Steve Atchison, president of Pulte's Michigan division, said, "It's a great place to bring your grandkids — that's what this center becomes."

The Brownstown Township project, dubbed Bridgewater, calls for 620 homes and amenities ranging from bocce courts to an arts and crafts area complete with a kiln. Pulte expects to break ground within 30 days and open the project in the fourth quarter. Prices will range from the high $100,000s to mid-$200,000s.

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FOCUS: REAL ESTATE

Del Webb: Pulte boosts retirement projects

■ *From Page 23*

Grand Reserve, the 450-home Grand Blanc Township Del Webb project, is in the midst of site-plan revisions. That project is expected to open in the third quarter of next year, Atchison said, and is planned as a higher-end development than Bridgewater. Prices for homes are not yet set.

The average Del Webb home nationally sells for about $300,000, the same as Pulte's overall average. But there are some Del Webb sites in higher-priced markets such as northern California that are more expensive.

The two Michigan Del Webb projects will be followed by other projects by local developers. Singh is planning an age-restricted condominium community with a large clubhouse. Kahm said it was too early to discuss more details but said it was planned for Washtenaw County. The project is a new concept for Singh, which already builds retirement centers aimed mostly at buyers over age 80.

Moschetta said retirement-age buyers differ in the money they plan to spend on a home and the level and types of services they need. Fox Run has health care available on-site, along with a larger clubhouse than the local Del Webb plans call for. Fox Run has about 450 residents, and could expand to accommodate up to 2,000. Erickson's Dearborn project, Henry Ford Village, is full. Erickson communities are marketed to middle-income residents willing to pay a large, refundable deposit and monthly rent.

Dugas said Del Webb projects are committed to offering affordable homes in at least part of each project. That's a carryover from the philosophy of Del E. Webb, company founder.

The popularity of the Del Webb brand helped Pulte attract a list of 6,000 prospects signed up to receive information about Del Webb in Michigan, said Jody Proudfit, Michigan division marketing manager. Pulte has hosted events for them, such as a baseball outing and a wine and cheese party.

One of the responsibilities of a Phoenix-based vice president, Dave Schreiner, is to ensure the Del Webb brand is properly maintained as new projects are developed. Del Webb is managed geographically by Pulte area and division heads.

But unlike Del Webb before the acquisition, which was considered cash-poor, Pulte has the resources to seize opportunities, Dugas said.

"We can afford to write a check for 50, 80, 100 million dollars for a piece of land that some builders can't swing," he said.

As land prices rise, Pulte's deep pockets can help it keep up with another trend: to build senior housing closer to developed areas. Del Webb has a history of developing a project in outlying areas; by the time it is completed, other development catches up, Dugas said.

Pulte has altered that model somewhat in some of its newest projects closer to major metropolitan areas. Each city is different in the amount of time buyers will tolerate for driving to attractions and other major destinations, Dugas said.

Plus, older buyers increasingly prefer to remain near family and maintain personal ties to doctors, favorite restaurants and golf courses. Locally, that means Pulte foresees demand for additional Del Webb projects in the Romeo area and along the western I-96 corridor, Atchison said. Pulte also would like to look at Oakland County.

Nationally, Del Webb has communities in the West, East, and South. The company has its first community in the Dallas-Fort Worth, called Frisco Lakes, a project with more than 2,400 homes and a golf course.

At Anthem Ranch in Colorado, Del Webb is part of a larger Anthem community in Broomfield, with 1,500 Del Webb and 1,600 Pulte traditional homes.

"Traditionally, all the active adult communities were built in the Sun Belt," said Taylor Blanchard, manager of communications for the senior housing council of the **National Association of Home Builders**. "We're seeing more in town and close to where family is."

Even spacious downtown lofts are something higher-income, aging boomers are looking at in places such as Washington and Chicago, Blanchard said.

Besides personal preferences, there is the practical issue that greater numbers of older Americans plan to continue working. So they may demand a convenient commute, developers say.

Recent surveys from **Merrill Lynch** and Del Webb show most boomers plan to continue working during their retirement years. Del Webb's 2005 baby boomer survey found that 63 percent of survey participants currently working plan to continue working in some capacity. The Merrill Lynch survey said on average, boomers are expected to leave their current careers around age 64 and then pursue something new.

"They might scale back or go into a different field," Blanchard said. "They want to stay active, and like the challenge and mental stimulation."

The Del Webb survey also found many boomers plan to buy a new retirement home *(see box)* — more evidence, Pulte says, its Del Webb acquisition will continue to pay off.

"We saw a huge demographic trend coming our way," Dugas said. "It's been one of the best things we've ever done."

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BOOMER FACTS

- 63 percent of baby boomers currently working plan to continue working in some capacity.
- 59 percent between 41 and 49 plan to buy a new retirement home, and 50 percent of those ages 50 to 59 plan to buy one.

Source: Del Webb 2005 survey