

HOUSING

The
Portland
Observer

Growing with the greying of America

Recently, BUILDER Magazine recognized the country's three fastest growing home building companies of the past decade. The company producing the largest gains was a business serving the nation's fastest growing market segment - seniors. The entity is Del Webb Corporation, which introduced America to retirement living in 1960 with Sun City, Ariz.

Founded in 1928, Del Webb Corporation reorganized in 1987 to focus on home building. The company said goodbye to its hotels, casinos, recreational properties, commercial real estate management and commercial construction activities. The home building plan was to run parallel with the greying of America and serve the market's ever increasing desire for a healthy, active retirement lifestyle. The strategy has proven successful as the company this year surpassed one billion dollars in revenues for the first time in its history.

In its fiscal year ended June 30, 1996, the New York Stock Exchange company not only set new records for home sales, revenue and operating earnings, it surpassed many other important milestones.

In 1996 the company sold its 100,000th home. But more importantly, it also welcomed its 50,000th Sun City buyer (nationwide) to its Sun City Palm Desert community in southern California. The home was purchased by Dick and Betsy Lewis of Palm Desert. The Lewis' retired to the desert resort area in 1988 after

dual 35-year careers as banking executives. As bankers, they often provided the financing for new home neighborhoods and spent considerable time walking through homes under construction. "We were impressed with the quality construction and the value of Sun City Palm Desert. Now that we're settled we're thinking about taking up golf!" Betsy Lewis said.

From one active adult community (Sun City West near Phoenix) in 1986, Del Webb has grown into a coast-to-coast builder. During the past 14 months, the company has celebrated the grand opening of three new Sun Cities near Las Vegas, Nev.; Hilton Head, S.C.; and Austin, Texas, and in October will open Sun City Grand, near Phoenix. That brings the Sun City family to 10 communities.

And these are not small communities. The typical Sun City encompasses thousands of acres, with thousands of single family homes, golf courses, recreation complexes, shopping centers, churches and more. They are known in the development industry as master-planned communities.

How popular are these communities? Consider that Webb's newest Sun Cities near Hilton Head and Austin have both already surpassed 500 sales. "The sales pace of new homes at Sun City Hilton Head is unprecedented," said Paul Cifaldi, president of Hilton Head Market Research, a firm which tracks regional real estate trends. "Del Webb

has created the right product for a market that sees this area as a great place to live." The 5,600-acre community is expected to have an economic impact of approximately \$6 billion in construction spending, wages and resident purchases over the next 20 years.

Few companies understand the lifestyle needs of the retirement market better than Del Webb. Focusing on the continuing growth of the mature market (Americans age 55-64 will grow from 21 million to 42 million people during the next 25 years) the company recently launched a bold research initiative to better understand the nation's Baby Boomers, the first of whom turned 50 this year. A few of the findings point toward a potentially prosperous future for the company:

- 18% say they're planning to move to a different state at retirement which is twice the number of today's retirees who relocate.

- 70% indicated they expect to work, at least part-time, in retirement.

- Most expect to retire by age 63.

Webb has focused its growth in areas where retirement populations are booming. One such example is Las Vegas, Nevada. The influx of the senior population in this gaming mecca accounts for 25 percent of the

annual new residents. Since 1989 Del Webb has sold more than 6,000 Sun City homes in that area. In September, 1995, the company introduced Sun City MacDonald Ranch, its second Las Vegas-area community which was greeted with immediate acclaim. This smaller, more affordable Sun City (prices begin in the \$80's) has sold 470 homes to active adults in less than 10 months. In total, the company sold more than 1,200 Sun City homes in Las Vegas during its last fiscal year.

With the coming

of a new millennium, the corporation continues to explore new markets for its community development, including some non-traditional retirement destinations. For example, Del Webb is actively researching the possibility of establishing the first cold-weather climate Sun City in Illinois. The company will carefully weigh consumer interest, community support and land availability before making a final determination on whether to proceed with a project there.

While Webb remains focused on its Sun Cities, the company has also broadened its home building base. This past year saw continued success at Terraviva, a golf and fitness community in Scottsdale, Ariz. designed

for people of all ages. Del Webb's Coventry Homes, its conventional home building subsidiary, expanded into a new market and now builds in northern, central and southern Arizona, Nevada and southern California. Trovas, a new higher-end, semi-custom home building division was also unveiled with its first neighborhood nestled near the McDowell Mountains in Scottsdale, Ariz.

Del Webb Corporation is the nation's leading builder of active adult communities for people 55 and better with Sun City communities near Phoenix and Tucson, Ariz.; Las Vegas, Nev.; Palm Desert and Roseville, Calif.; Hilton Head, S.C. and Georgetown, Texas.



Builders Watch Mortgage Rates

Builders quickened the pace of home construction in June, but there are signs that high mortgage rates will cause them to tap on the brakes.

"It won't be a slump, but we won't have the breakneck pace we saw during the first half of the year," predicted Fannie Mae economist Eileen Neely. "One indication of a slowdown already is showing up in (declining building) permits."

But in June, housing starts rose 1.3 percent to 1.48 million to a seasonally adjusted annual rate, higher than the 1.45 million rate many analysts had expected. Single-family construction — 80 percent of total starts — reached a two-year high.

And starts in April and May were even stronger than originally estimated. They totaled 1.51 million in April, rather than 1.50 million, and 1.46 million in May, rather than 1.43 million.

The picture in June was mixed, however. While overall starts were up in the South and West, they slipped in the Northeast and Midwest. And the volatile multifamily sector posted a double-digit decline.

Many analysts expect housing starts to begin to slow this summer as mortgage rates continue to rise.

"We may start to see the numbers come down a bit in July and August, but not a lot," predicted economist David Lereah of the Mortgage Bankers Association. "This is a healthy housing market."

During June, 30-year, fixed-rate mortgages averaged 8.32 percent, up from 8.09 percent in May and matching the average in April 1995.

By last week, they had risen to 8.42 percent, meaning the monthly payments on a \$100,000 mortgage would be about \$100 more than they would last January, when rates averaged 7.03 percent.

Still, new home sales have remained strong, hitting a 10-year high in May. That demand has boosted starts during the first six months of the year 13.5 percent above those of the same period of 1995.

"So far, the strong job market and strong consumer confidence have been winning the tug of war against higher interest rates," Neely said.

Paul Taylor, economist with America's Community Bankers, also noted that even at 8 percent, mortgage rates are still "at a generational low for a lot of people." As recently as 1990, they topped 10 percent.

But a National Association of

Home Builders membership survey suggests the market may be leveling off. Its Housing Market Index slipped in July to 60, one point lower than in June and the third straight dip.

"The gradual decline occurs as pent-up demand from the unusually severe winter months runs its course and home buyers begin to slow the pace of purchases as a result of rising interest rates," the association said.

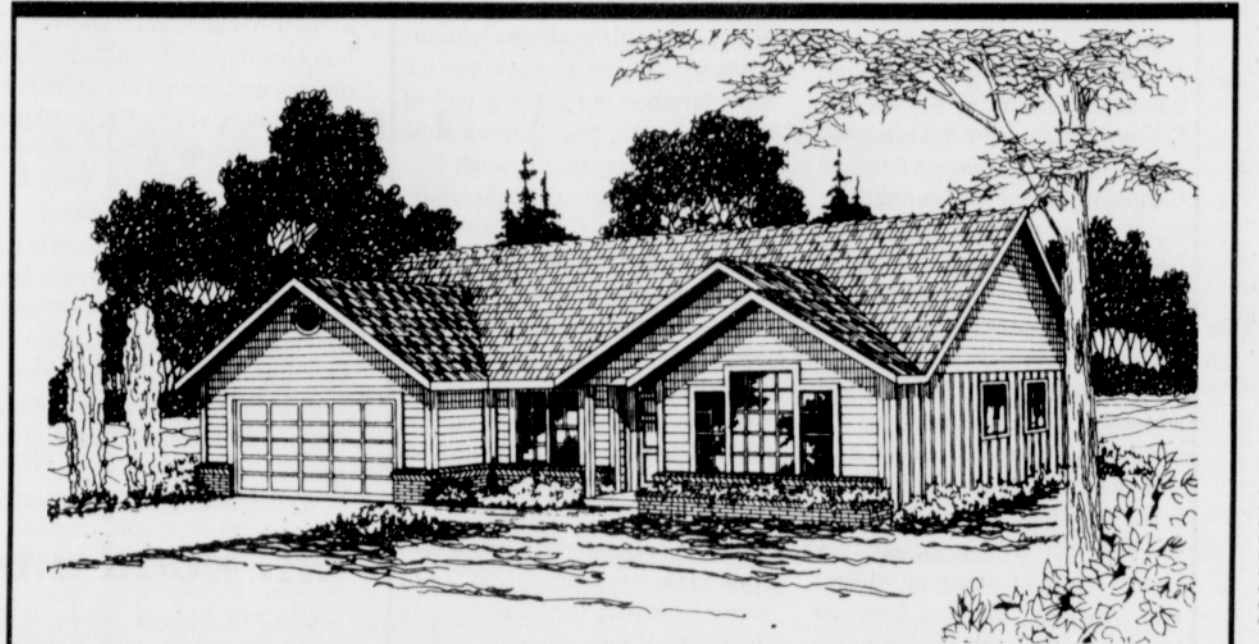
And applications for building permits, a gauge of builder confidence and future activity, slipped 2.5 percent in June to a 1.42 million rate. It was the second straight decline.

Single-family starts shot up 7.4 percent to a 1.225 million rate, wiping out a 5.6 percent loss a month earlier. It was the highest rate since 1.23 million in April 1994.

Construction of apartments and condominiums, often volatile and not as sensitive to interest-rate changes, plunged 20.3 percent to a 255,000 rate. It had risen 6 percent in May.

Regionally, starts rose 4.6 percent in the West to a 366,000 rate and 3.8 percent in the South to 688,000.

But they fell 6.2 percent in the Northeast to a 122,000 rate and 4.4 percent in the Midwest to 304,000.



Compact Jerico goes beyond the basics

By Associated Designs

The Jerico is a small (1500-square foot) house that covers all the basics, and then some. Stepped windows, a brick planter and multiple rooflines add eye appeal to the ranch-style exterior. Economical to build and easy to maintain, the single-level Jerico is well-suited to the needs of young families or retirees.

Gathering spaces in this three-bedroom plan include a living room, a dining room, and a family room. Wide windows in the dining room and living room face the street. Both of these rooms are naturally bright, and the ceiling in the living room is vaulted which gives it a sense of spaciousness. The vaulted family room is bright as well. It has two windows on one side and wide sliders at the rear. A long plant shelf spans the opposite side of the room.

Outside there is a deck that is ideal for outdoor dining. Most of the deck is covered. A long eating bar joins kitchen and family room. Appliances are built in, and utilities are tucked in an alcove that's close to both kitchen and ga-

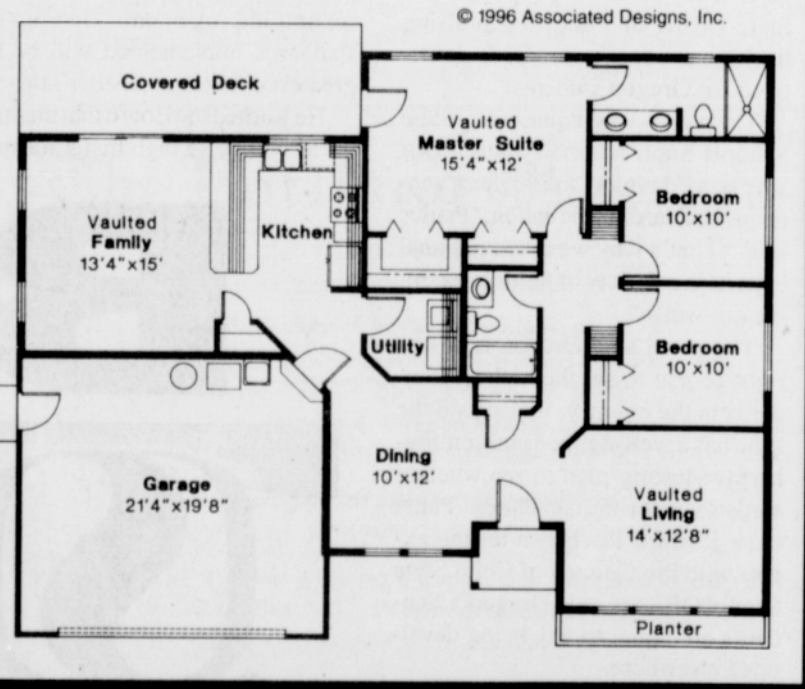
rage. Direct access from garage to kitchen is convenient for carrying in groceries.

The master suite has his-'n'-hers closets, one of them a walk-in. Guess who gets the larger one? Other amenities here include deck access and a private bathroom with dual vanity and a large shower.

Secondary bedrooms in the Jerico are identical, thus eliminating arguments about who gets the better room. Linen and storage closets flank the doors, while the small

bathroom across the hall is outfitted with a combination tub and shower.

For a review plan, including scaled floor plans, elevations, section and artist's conception, send \$15 to Associated Designs, 1100 Jacobs Dr., Eugene, Ore. 97402. Please specify the Jerico 30-042 and include a return address when ordering. A catalog featuring over 170 home plans is available for \$12. For more information call (800) 634-0123.



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