

The Top-Selling Master-Planned Communities of 2013

January 8, 2014 | Todd LaRue, Principal and Pamela Cantrell, Vice President

Home sales at the nation's top master-planned communities (MPCs) continued increasing in 2013 to the highest levels since 2007. 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. Based on final reported sales, sales in the top 20 are over 6% higher in 2013 than in 2012, pushing sales at the top 20 communities to nearly 15,150. An overarching issue among the top-selling communities in 2013 is the availability of lots and entitlements to meet increasing household demand. In more mature communities, land supply is diminishing and impacting their ability to capitalize on product segmentation,

while in other communities, challenges related to entitlements and new lot development have hindered sales potential. New communities that are replacing the "mature" communities have seen some of the most significant increases in sales. Investment capital is now more readily available to MPCs compared with two years ago, as other residential investment opportunities such as multifamily are more saturated. MPCs continue to thrive based on buyers' belief that MPCs are the best places to invest and live, enabling MPCs to maintain their strong market share from 2012, despite increased competition from a larger number of builder subdivisions.

Top-Selling MPCs of 2013

Rank 2013	Rank 2012	Name	Location	MSA	2013 Sales	2012 Sales	% Change
1	1	The Villages	The Villages, Florida	Ocala	3,419	2,851	20%
2	2	Irvine Ranch	Orange County, California	Los Angeles-Anaheim	1,444	1,436	1%
3	4	Cinco Ranch	Katy, Texas	Houston	854	982	-13%
4	5	Mountain's Edge	Las Vegas, Nevada	Las Vegas	841	948	-11%
5	10	Nocatee	Ponte Vedra, Florida	Jacksonville	838	510	64%
6	7	Riverstone	Missouri City, Texas	Houston	791	605	31%
7	6	Providence	Las Vegas, Nevada	Las Vegas	726	760	-4%
8	3	The Woodlands	The Woodlands, Texas	Houston	649	1,007	-36%
9	9	Lakewood Ranch	Sarasota, Florida	Sarasota	618	573	8%
10	11	Stapleton	Denver, Colorado	Denver	570	507	12%
11	12	Summerlin	Las Vegas, Nevada	Las Vegas	566	471	20%
12	-	Cross Creek Ranch	Fulshear, Texas	Houston	509	301	69%
13	14	Lake Nona	Orlando, Florida	Orlando	475	441	8%
14	-	Aliana	Richmond, Texas	Houston	464	304	53%
15	19	Woodforest	Montgomery, Texas	Houston	457	308	48%
16	16	Sienna Plantation	Missouri City, Texas	Houston	445	387	15%
17	-	Canyon Lakes West	Cypress, Texas	Houston	378	190	99%
18	13	Brambleton	Ashburn, Virginia	Washington, D.C.	373	466	-20%
19	-	Valencia	Valencia, California	Los Angeles-Anaheim	372	282	32%
20	-	Firethorne	Katy, Texas	Houston	361	280	29%

* Alamo Ranch did not participate in this year's survey.

Source: RCLCO

The Villages in Ocala, Florida, once again tops the list of best-selling MPCs with 3,419 sales, more than double the number 2 community, Irvine Ranch, which boasted an impressive 1,444 sales. The top two performers in this year's list are followed by numerous communities that demonstrated significant percentage gains over 2012 by introducing new products and broadening segmentation, as well as other communities that maintained strong sales paces but experienced lower sales growth (and in a few cases saw a decline in sales) due to constraints on lot inventory and remaining land supply.

In Florida, the increase in sales occurred among MPCs across the state due to improving market fundamentals—increased job and household growth, and a stronger move-up market as indicated by the solid performance at higher price points. Favorable reputations and well-developed segmentation strategies contributed to robust sales at both Nocatee and Lakewood Ranch. In Nocatee, age-restricted active adult sales accounted for nearly 22% of total sales in the MPC. Lake Nona, the top-selling community in the Orlando area, was able to maintain a sales pace similar to 2012 by nearly doubling sales in their newest neighborhood with an innovative and diverse mix of housing product, a growing on-site employment base, and new amenities while wrapping up sales in two of their other neighborhoods.

Across the west, land supply and product segmentation are the major influences on sales volume in the master-planned communities surveyed, now that job growth has improved and household formation is on the rise. As land supply in existing communities continues to dwindle, lot prices to builders have risen, pushing home prices higher and in some cases dampening the sales pace but not the profits. Communities such as Summerlin benefit from having high-quality land supply, and efforts to preserve their premiere brand through the downturn have allowed the community to maintain its position as a prime move-up destination in Las Vegas as new home demand in Las Vegas and elsewhere has largely been move-up rather than entry-level. Phoenix has several communities that

are selling well, but none made the top 20 in 2013. This was largely due to competition among them as well as continued attractiveness of home pricing in the Southeast Valley, which offers housing—primarily in smaller subdivisions—that is closer to jobs concentrations than the West Valley, where most of the MPCs are located.

Although demand is up sharply in Texas MPCs, lot development continues to lag absorption, and lot inventory is at its lowest level in 10 years. Pressure is on MPCs in Houston and in markets across Texas, such as Austin and North Dallas, to deliver more lots to replenish diminishing lot inventories. Many national and regional homebuilders are stepping up efforts to self-develop smaller communities to capture increased demand, often driving land prices to record levels.

In Houston, where new home sales increased by more than 20% overall, mature communities such as The Woodlands and Cinco Ranch continue to produce very strong sales. However, their sales declined relative to previous years, primarily because of the difficulty in offering broad product diversification as they approach build-out. However, their overall average prices are up, indicating that it is wise to balance price with velocity during the mature phase of an MPC. Although this has somewhat diminished their sales volume in many lower price points, many mature MPCs have increased sales and market share in higher price points.

Meanwhile, Houston communities with fewer land constraints have been able to take full advantage of increased demand across the region. Other Houston communities in 2013's top 20 saw substantial increases in sales: 31% at Riverstone, 15% at Sienna Plantation, and 48% at Woodforest. Woodforest added new builders this year, opened an elementary school, and developed new neighborhoods, resulting in a wider range of price points overall. In addition, it is benefitting from a strong empty-nester market (nearly 40% of their sales) as well as households moving out of The Woodlands who are capitalizing on strong resale values. At Sienna Plantation, builders have recently

been raising prices in an effort to slow the pace of sales as demand has intensified. In addition to the communities listed above, Houston boasts four new additions to the survey: Cross Creek Ranch, Aliana, Canyon Lakes West, and Firethorne, some of which narrowly missed the top 20 in 2012, increased sales by 69%, 53%, 99%, and 29%, respectively, in 2013.

The ranking of 2013's top 20 communities is based on total home sales as reported by each individual community. We will be holding a live web conference during which we interview developers of several of the top-performing communities to highlight and provide analysis of their critical success factors and strategies for success in 2013. Key community investments, product innovation, marketing tactics, new business lines, and builder relationships are among the many topics our interviews will explore.

Article and research prepared by Todd LaRue, Principal and Pamela Cantrell, Vice President.

RCLCO provides real estate economics, strategic planning, management consulting, litigation support, fiscal and economic impact analysis, and implementation services to real estate investors, developers, home builders, financial institutions, public agencies, and anchor institutions. Our real estate advisors help clients make the best decisions about real estate investment, repositioning, planning, and development.

RCLCO's advisory groups provide market-driven, analytically based, and financially sound solutions. RCLCO's Community and Resort Advisory Group produced this newsletter. Interested in learning more about RCLCO's services? Please visit us at www.rclco.com/community-and-resort.