

While "the bigger, the better" seemed to be the home buyers' creed before the credit crisis, developer-turned-consultant Joe Duckworth contends that smaller residences will be in demand going forward.



JOHN COSTELLO / Staff Photographer

ADJUSTING TO TRENDS

Joe Duckworth, residential developer and now consultant. He assesses the viability of projects for lenders.

By Diane Mastrull
INQUIRER STAFF WRITER

What's a residential developer to do in these lean times with no banks lending money and few willing new home buyers?

Well, besides planning on attending Phillies playoff games Wednesday and yesterday, Wayne developer Joe Duckworth is transitioning his Arcadia Land Co. into a consulting business for commercial banks and other institutions financing development projects.

The goal of Arcadia Development Services, Duckworth said, is to help lenders "minimize their losses." That could mean, for instance,

getting them to force a change in the project before the first shovelful of ground is turned.

If the outlook for the project is particularly dismal, it might mean persuading the lender to cut and run.

"We're working with institutions, so they assess their position most appropriately from a market position," Duckworth said. He has been in the residential-development business for more than 30 years, first as an executive at Toll Bros. Inc., then as president of Realen Homes, before forming Arcadia Land

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Developer

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in 1997.

With two of its own projects on hold, totaling 800 homes — one in western Chester County, the other in Berks County — Arcadia is evaluating development projects for three institutions. Duckworth would not identify them, citing a confidentiality agreement.

"They don't want to be named because they hold questionable assets," he said.

Developer J. Brian O'Neill is predicting a brisk business for Duckworth.

"There's a lot of projects that were ill-conceived because there was so much money out there that anything could get done," O'Neill said. "All of that has to be rethought out."

O'Neill, based in King of Prussia, has started a side business of his own to make hay from the credit crisis: buying distressed assets. That could be a fully built but empty condominium tower, or the mortgage on a half-completed project with the intention of finishing the job.

"There's just a lot of opportunity in the marketplace" for developers, O'Neill said. "We're looking at how to get our arms

around it."

At the new Arcadia Development Services, the goal is to help lenders get a better grasp on the viability of projects.

So far, that has involved assessments of properties that have been taken back or are in the process of being taken back from a developer by a lending institution, said Duckworth's son and business associate, Jason. In some cases, that has involved a default on a mortgage and the property's going to sheriff's sale. In other cases, the developer has willingly given up a property in exchange for being relieved of other financial obligations to the lender.

Those analyses include a comprehensive survey of entitlements — such as subdivision and zoning approvals and environmental and building permits — to determine if anything is missing or on the verge of expiring. A market study and financial analysis indicating how a developer would value the property are also part of the review.

A basic assessment for a small, uncomplicated project costs \$8,000, with the price reaching \$25,000 or more for larger, more-complex cases.

While "the bigger, the better" seemed to be the home buyers' creed before this credit crisis, Joe Duckworth

contends that more conservatively sized residences will be in demand going forward.

The same is true in commercial development, said Jeff Goggins, senior managing director at Trammell Crow Co., of West Conshohocken.

"When it comes to office development, employers ... will be prudent and very efficient with space," he said.

Offices closer to densely populated areas, where public transit is likely, will be more favorable than complexes in far-flung suburbs, Goggins added.

On residential development, Duckworth is not charging for all of his advice. To those in the market for a new home, he offers this for free: "Once you're comfortable, go out and buy."

Once the economy stabilizes, Duckworth said, demand will quickly exceed supply, given that there are virtually no new development projects in the approval pipeline.

Consequently, he said, "what's available will go up in price."

For now, he is just rooting for the Phillies to make it to the World Series "to distract from all this gloom and doom."

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