



In This Issue

[First mover advantage](#)
[Is your "fully approved" project still fully approved?](#)

Quick Links

[About Us](#)
[Communities](#)
[Development Services](#)

[Join Our Mailing List!](#)

Future Speaking Engagements

["The Future of Open Space in Chester County"](#)
Sat., Feb 21 - Chester County Historical Society, West Chester, PA

Joe Duckworth will be a panelist.

["Transferable Development Rights"](#)
Fri., May 8 - Pennsylvania Land Trust Association, State College, PA. Jason Duckworth will be a panelist.

Arcadia Book Corner

[The Option of Urbanism](#)

by Arcadia partner, Christopher B. Leinberger.

Americans are voting with their feet to abandon strip malls and suburban sprawl, embracing instead a new type of community where they can live, work, shop, and play within easy walking distance.

[Views of Seaside](#)

by Seaside Institute.

A book about the iconic community of the New Urbanism-- Seaside-- developed by Arcadia partner, Robert Davis.

[Last Harvest](#)

by Witold Rybczynski.
A book about American development told through the lens of Arcadia's New Daleville community in Chester County.

Greetings!

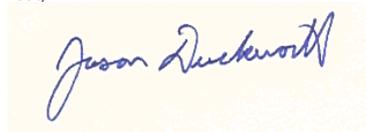
["Wait it out... the market's bound to recover eventually..."](#)

Every so often I get comments suggesting that everyone affected by the housing downturn should sit tight and wait for a recovery. After all, we've been through downturns before and prices have always come back... eventually.

We disagree; sitting tight is not a business strategy. This month's Arcadia newsletter addresses two of the risks of waiting in this housing downturn. Our first piece called "First Mover Advantage" deals with the risk of waiting to take action on stalled new home communities. Our second piece called "Is Your Fully Approved Project Still Fully Approved?" deals with a new crisis facing builders in many states--the expiration of approvals and permits secured during the boom years and not yet acted on.

From repositioning a new home community to preserving valuable entitlements, there's important work to do now. Time's a wasting.

Best,



Jason Duckworth
Vice President

First mover advantage: why waiting for a housing recovery isn't a business strategy.



American new home markets are stalled. The Census department just [announced](#) that in December 2008, U.S. building permits reached a recorded low-point, falling to a seasonally adjusted annual rate of 549,000, more than 75% off of the peak rate of 2,263,000 in September 2005. Single-family new home sales are similarly off (about 70% from the peak in July 2005).

If you visit the emerging suburban or urban markets which are the front lines of the new home industry, the dismal numbers of the Census Bureau come to life. Many new home communities have no sales activity, shuttered model homes, and no homes under construction; the sense of failure is truly palpable. In the Philadelphia region, there are thousands of finished lots just sitting there (some of them have sat there for five or more years at this point), bypassed by customers because the asking prices for homes are just too high. Why don't the prices come down?

In many case, the prices don't come down because the land purchased by builders and developers between 2004 and 2006 was bought too expensively, often with borrowed money. The builders cannot lower the prices because doing so would make it impossible to pay back the lender without reaching into their own pocket. As a result, since about 2006, *wait and hope* has become business strategy for many builders.

In most new home markets, prices are not going to recover anytime soon; the current combination of high prices and low absorption rates is unsustainable and a repricing of land is inevitable. Given this, we have been advising our clients to adopt a first mover strategy.

The first builders and banks who grapple with this market reality and lower prices (yes lower them more) can get their projects moving

again, especially in places where the competition is just waiting for better times. There continues to be a major affordability problem nationally and even here in Philadelphia. (See our recent [home price analysis](#).) Lower prices for quality product (not small inferior offerings) will generate incremental traffic, sales and market share. Those builders who move quickly now to adjust their pricing and strategy will be the first to benefit from an improved economy.

Interest rates are at historic lows, FHA-insured mortgages with 3% downpayments are a reality, and the "echo boomers" are entering their prime first-time homebuying years: all markers of potential demand. We've also observed that new home communities with momentum (like our [New Daleville](#) and [Woodmont](#) neighborhoods and like Ryan's Round Hill or Cornerstone's [Terrazza](#)) enjoy a "winner takes all" phenomenon--commanding higher absorption rates and disproportionate market share.

Isn't this outcome better than more of the same? Isn't this outcome better than a bulk sale of a shuttered community at a significant loss? Unfortunately, the boom years are not returning anytime soon. Let us know if our [development services group](#) can help your organization build a first-mover strategy.

Is your "fully approved" project still fully approved?

We recently learned of a major proposed mixed-use community that is in jeopardy of losing its development rights unless it installs the public improvements by May 2009.

Sadly, receiving the last Township approval or agency permit does not mean that the permitting process is complete. Development approvals and permits are not perpetual; most expire in one to five years. If not fulfilled or extended in a timely fashion, permits and approvals lapse and a developer's rights may be lost or severely compromised.

During this slowdown in the real estate market, developers and their lenders need to make sure that project entitlements are still valid, so that projects are ready to go when conditions improve.

For example, developers in Pennsylvania have just five years from the approval of the Preliminary Plans to substantially complete the public improvements; PennDOT Highway Occupancy Permits must be extended every year if the work is not completed by the date specified on the permit; NPDES permits expire in five years.

While it may be healthy for the marketplace if a few projects lapse and the approved land supply falls, nobody feels that way about their own project.

We've established a program for lenders and developers to help them *keep and keep on top of* their approvals and permits. [Click here to learn more.](#)

Email Marketing by

