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\$8M buys unfinished Hovnanian retirement hub in Vail for Pulte

By Josh Brodesky

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For all of \$8 million, Pulte Homes has purchased an unfinished retirement community in Vail, picking up hundreds of home lots as well as a 14,000 square-foot lodge, two swimming pools, 12 model homes and tennis courts, among other amenities.

Some economists and housing experts have said such fire-sale deals are a key part of the housing recovery, hinting at a bottom as builders and investors move back into the market.

Pulte closed on the deal Tuesday with K. Hovnanian Homes, the original developer of Four Seasons at Rancho del Lago, an active community for residents age 55 and up.

Hovnanian launched the community in February 2008 — despite the housing downturn — planning to build about 500 homes with prices starting in the upper \$180,000s. But it only built about 35 homes and finished about 280 lots. Hovnanian's stock has been trading around \$2.20 a share.

With the change in ownership, Pulte has renamed the community Del Webb at Rancho del Lago, although the builder will continue to offer Hovnanian's floor plans. Over time, Pulte said it may bring on its own floor plans.

Although new-home construction is at a veritable standstill, Pulte is banking on a growing demand for active retirement housing as more and more baby boomers retire. The recession may slow down that process by years, but the price of the deal, which was paid in cash, gives Pulte plenty of time.

"It was a great deal," said Shawn Chlarson, Pulte's Tucson division president. "As a location, the Vail submarket is physically beautiful. There is a lack of active adult competition down the I-10 corridor."

Pulte management could not be specific about pricing other than saying homes will start in the "mid-100s."

For some time, Pulte had been looking to return to the active community market in Tucson, relying heavily on its well known Del Webb brand.

"I think it's as ideal a vehicle as we could possibly find, short of doing it ourselves, to execute our brand and our lifestyle," Chlarson said.

Amy McReynolds, vice president of operations for Pulte's Tucson division, said Pulte will go about marketing the amenities Hovnanian had already put in — pools, a massive lodge with a gourmet kitchen — as well as its prime location next to the public Del Lago Golf Club.

"Del Webb builds lifestyle communities," she said. "In Tucson we were missing the active adult community, and it's a pretty big profile to not have in Tucson."

Andy Pedersen, regional director of marketing for K. Hovnanian Homes of Arizona, said the nation's sixth-largest builder will "continue to grow throughout Arizona and carry on the tradition of quality, leadership and value."

"Though K. Hovnanian does not have any active communities in the Tucson market, given the acquisition of Four Seasons at Rancho del Lago, we are committed to providing excellent, hands-on customer service to our Tucson homeowners."

To Tim Oakes, designated broker for Del Lago Realty, the biggest selling point for the community is its

facilities and amenities, which he described as "absolutely incredible."

Building has stopped in the area, and prices have dropped to the \$140,000s, he said. But because of those facilities and eventual growth, "I think it's still a gold mine," Oakes said. "The facilities are great."

More and more, developers and investors are purchasing unfinished developments, which some experts say is a sign the housing market is hitting a bottom.

"I think a lot of (builders) believe there is going to be potential in a couple of years," said Jay Q. Butler, real estate studies director at Arizona State University.

"Pulte, of course, is going to play on the Del Webb name, and, of course, with the aging baby boomers, they feel this is going to be a big growth market in the coming years," Butler said.

University of Arizona economist Marshall Vest said deals like Pulte's or the recent purchase of the unfinished River Walk townhomes development in the Foothills are a key step in forming a bottom for the housing market.

"It is part of the process and it simply reflects that the appetite for risk is returning," he said. "And it's good news because private capital is coming in now and buying up these assets that are really very cheap."

Contact reporter Josh Brodesky at 573-4178 or jbrodesky@azstarnet.com.

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