

MARKET POSITIONING

(Fall 2010)

Sandy Point's Product

Baby Boomers want Walkable Urban Places. Master Planned Communities of the future, says the Urban Land Institute, will offer a mix of housing types, stores, services and offices, and the homes will be smaller – and hence, more affordable – with fewer rooms and more open, flexible spaces. Further, faux town centers are out; rather, the market will demand genuine, compact downtowns that can be expanded as the community and market grow.¹ And according to 2009 research by Robert Charles Lesser & Co., “75% of retiring boomers ... want to live in ... urban settings. Not all will want to move to the center city, so walkable, urbanized suburban town centers will see an influx of aging boomers.”²

Sandy Point, of course, was designed as a Walkable Urban Place by the world's most celebrated designer of such places, Andrés Duany, founder of the Congress for the New Urbanism.

Competitive Position

Sandy Point's competitive position in the retirement-living and second/vacation-home markets will be shaped with reference to, and consumer expectation will be framed with respect to, the “Designer's Vision,” the “Town/Land Plan” and the “Seaside Phenomenon.”

The **Designer** is the celebrated architect and town planner Andrés Duany, who personally selected Sandy Point for development and then designed the new community without constraint, exploiting the New Urban palette to create a truly remarkable place.

¹ See John McIlwain, “Next Generation Master Planned Communities – Planning for the New Homebuyers,” Urban Land, October 2010.

² “Housing in America: The Next Decade,” Urban Land Institute Foundation (March 2010); see also “Trends from Top-Selling MPCs,” Robert Charles Lesser & Co., 2010.

Andrés Duany's role in the selection of and the vision for Sandy Point – the celebrated designer's own town – is a 'persuasive' marketing communication.

The **Land Plan** for Sandy Point has been enabled by the North Carolina General Assembly, affirming the designer's vision and enabling a proprietary plan that incorporates only the very best of North Carolina's historic coastal towns. The Sandy Point land plan – 'New Urban Waterfront' – will never be duplicated in North Carolina or elsewhere in the U.S.

The marketing message is that Sandy Point is truly special, 'the right community at the right time in the right place.'

The Sandy Point development plan leverages lessons learned over the thirty years since Andrés Duany designed Seaside, Florida (on the Florida Panhandle between Pensacola and Tallahassee).

“Seaside began selling its eighth-acre lots (approximately 5,500 square feet) in 1984 for \$15,000, and only sold twenty in the first two years. However, when a fully built-out street, built at a human scale, emerged, supported by local-serving, initially developer-subsidized, retail within walking distance, potential buyers could see the value of what was being created. As the critical mass was reached, around 1987, it became apparent that Seaside would be successful and the sales pace and prices escalated. In 2000, the last hotel pad was converted to for-sale lots. The first eighth-acre lot carved out of this parcel sold for \$1.4 million or a nearly 100-fold increase over the initial lots sold 15 years earlier. A year later these lots are selling for over \$2 million. Meanwhile, Seaside's downtown, comprised of retail, office and rental apartments, was appraised for \$60 million in 1998. Given that the property was only worth a million dollars when the project began and was located on the so-called “Redneck Riviera,” the current value of Seaside is a testament to the appeal of New Urbanist development. It is probably one of the most financially successful resort projects ever developed.”³

Conventional development must leverage existing market momentum and appraised comparables to establish value. New Urban development of Sandy Point's scope and scale, on the other hand, can establish momentum and value, independent of regional conditions, based on its ability to create place.

³ Leinberger, Christopher B., “Financing Progressive Development,” The Brookings Institution, Center on Urban and Metropolitan Policy, and Harvard University, Joint Center for Housing Studies (May 2001).

The **Seaside Phenomenon** is the precedent for creating special places and for the role that ‘place creation’ has in generating demand and establishing value. Place creation is the fundamental attribute common to all successful developments, old and new alike. Place creation generates a sense of community that – when positioned correctly – supersedes regional conditions and allows a project to establish its own market. Because such projects are typically unique to a region, the developer and early purchasers can benefit substantially.

The marketing message, intended to inspire urgency, is ‘be a founder – reserve your share of the value created at the new place called Sandy Point.’

Sandy Point’s Primary Target/Draw Market

Baby Boomers – the primary market for second/vacation-home and retirement living at Sandy Point – are divided into two groups. The older boomers are ages 55 to 64, the oldest turning 65 in 2011. And the younger boomers are ages 46 to 54. The older group is approximately a third of the cohort or 26 million Americans retiring over the coming decade.

And Sandy Point’s products/features are readily accessible to a significant Boomer population: Sandy Point is a four-hour drive from the Nation’s Capital, two hours from Raleigh/Research Triangle, NC, two and a half hours from Richmond, VA, and one hour from Tidewater, VA. Further, the adjacent Edenton Municipal Airport has a 6,000-foot runway with an Instrument Landing System (ILS), making Sandy Point directly accessible to European holiday makers and outlying North American cities, including those of Canada, as well as to families traveling by private aircraft.

The Washington–Arlington–Alexandria (DC–VA–MD–WV) MSA is the strongest market in North America and will continue in that position as long as the economy labors.⁴ The Washington MSA is the fastest growing MSA economy by real income per capita among the top ten cities in the United States (by population). The District itself has the highest per capita income of any “state” or region by a significant margin (nearly

⁴ See “Emerging Trends in Real Estate 2011,” Urban Land Institute, October 2010.

four times the median). Maryland and Virginia are also above the median within the United States.⁵

The population of the Washington MSA was approximately 5.6 million in 2009. Baby Boomers comprised 32% of the Washington MSA's population in 2000.⁶ Assuming that percentage holds today, approximately 1.8 million of the roughly 5.6 million people living in the MSA are Boomers, and a third of them, 600,000 people (at least 300,000 households), are in the older Boomer cohort retiring over the next decade.

Seaside, Florida, became the most successful second-home and retirement community in history by targeting the Atlanta, Georgia, MSA, which was the largest close-by MSA, a five-hour drive from Seaside. The Washington MSA is a four-hour drive from Sandy Point and far larger and wealthier than the Atlanta MSA.⁷

Regional Market Position

Sandy Point may be perceived at the outset of development as an alternative to the Outer Banks. In fact, the principals selected the Sandy Point property for development in early 2003 after concluding both (1) that the property was in an "undiscovered" or "bypassed" area that warranted attention on its own merits and (2) that the developed property would become an alternative to the destination of choice in the region, North Carolina's Outer Banks. Sandy Point lies on broad water, the Albemarle Sound, and has unimpeded water access to the Intracoastal Waterway (the ICW) and the Atlantic Ocean as well as to upland communities on the Chowan and Roanoke Rivers. Comparable land in the Outer Banks has long since been developed. Accordingly, competing retirement and second/vacation-home developments in northeastern North Carolina will be on the Albemarle and Pamlico Sounds. And Sandy Point is ideally situated to compete successfully with any such developments on location, quality and lifestyle.

⁵ See U.S. Bureau of Economic Analysis, www.bea.gov.

⁶ "American Demographics," September 2001, http://www.frey-demographer.org/briefs/B-2001-6_BoomerHavens.pdf. I do not have a more current estimate at hand.

⁷ Yes, a mixed-use, walkable urban project within commuting distance of the Washington MSA's jobs might be more quickly develop today than Sandy Point, BUT that site will be far more expensive (per Dwelling Unit) than Sandy Point, heightening the development risk, AND will be far less interesting than Sandy Point, making it less compelling and less desirable over the longer term.

A study conducted in the late 1980s⁸ concluded that only 22.5% of visitors to the Cape Hatteras/North Carolina Outer Banks were in-state or local area residents. Most of the out-of-state visitors came from the Middle-Atlantic, South-Atlantic and East-North-Central Census divisions. Anecdotal information obtained from a variety of reliable sources⁹ confirms that the import of the study remains on point today. Most purchasers of residential housing in and around the Outer Banks of North Carolina are from Virginia, Washington, DC, and population centers further north, and relatively few are from the Carolinas.

Residential Alternative to the Outer Banks. Sandy Point will stand on its own merits in the marketplace, as a traditional neighborhood development evidencing the very best of the New Urbanism and the coastal Carolinas; in short, Sandy Point is blessed to have a singular, truly proprietary land plan. As necessary, however, Sandy Point can be positioned in the marketplace as an alternative to the Outer Banks (a) where quality residences are still perceived as prohibitively expensive, (b) where there are virtually no walkable communities and (c) where development has outstripped the capacity of the land: “From Kitty Hawk south through Kill Devil Hills, Nags Head, and South Nags Head,” reported National Geographic Traveler, “each colorful name identified no distinguishable town – just notches along a belt of beach-burb. Kitty Snag, I call it.”¹⁰

Creating the Buzz

Once Sandy Point’s community attributes can be experienced (following completion of the first few streetscapes), prospective purchasers will be able to see that a new town recreating only the very best of North Carolina’s historic coastal communities is taking shape. Lifestyle choices not available in the market will draw purchasers to Sandy Point from existing developments and attract purchasers considering the market for the first time. Early adopters will “activate” Sandy Point’s community-based amenities, social organizations and commercial opportunities, and their activity will, in turn, generate a

⁸ National Oceanic and Atmospheric Administration, the “Public Area Recreation Visitor Survey.”

⁹ E.g., obtained from Joe Lassiter, President, Quible & Associates, PC (long-time Outer Banks engineers and environmental consultants), and others working in the Outer Banks real estate market.

¹⁰ National Geographic Traveler, July 18, 2003. More recently (March 30, 2006), Catherine Kozak, *The Virginian-Pilot*, reported, “National Geographic expert warns of losing unique flavor on Outer Banks.”

“buzz” that draws ever greater attention to the development. Seaside and later Habersham (near Beaufort, South Carolina) generated a buzz in regional markets with fewer natural advantages than Sandy Point.¹¹

Once the “buzz” is acknowledged, the draw area for prospective purchasers can expand dramatically. That expansion elevates the status of a project such as Sandy Point. It creates a market unique to the project. Once so established, the project’s investment premium engenders opportunities for “unconventional” products and uses and permits the project to ride out cyclical slowdowns in housing markets. The prospect of such resiliency and velocity makes Sandy Point a particularly attractive investment (for the developer as well as residential purchasers and commercial property owners).

Sandy Point will be the first New Urban project in northeastern North Carolina. Based on the experience of Seaside thirty years ago, Sandy Point will benefit greatly from being the first such project to satisfy demand for an alternative to conventional development in the region.

¹¹ Neither of those developments enjoyed such close proximity to a market the size of the Washington-Baltimore market, nor did they have three markets the size of Raleigh/Durham, Richmond and Tidewater Virginia so close at hand.