



Residential Real Estate

Stiles strategy is to sell smaller, less-expensive homes

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Stiles Corp., the Fort Lauderdale-based developer known for its commercial projects, is switching gears on a residential community in Boca Raton.

Following the lead of other builders in South Florida and the U.S., Stiles has opted to construct smaller, less expensive homes on a site where it once planned to build \$1 million homes.

The builder has formed an alliance with Harry Posin, the former president of Minto Communities, to build the 23-acre project, which will include 191 townhouses priced from \$230,000 to the mid-300,000s.

The project, at Broken Sound Boulevard and Yamato Road, was planned and marketed as a luxury community called The Reserve at Blue Lake. It was to include 140 townhouses ranging in size from 2,200 to nearly 3,000 square feet and 32 single-family homes as large as 3,900 square feet. Prices were to run from \$675,000 for townhomes to \$1.3 million for detached houses.

NEW DIRECTION

Most builders marketing homes now are focusing on smaller, less expensive houses, Posin said.

“I have traveled from California, to Arizona, everywhere, and this is happening nationally,” he said. “The builders that are selling are those that have good product, location and excellent value.”

Even home-builder Toll Brothers, which has always focused on the higher-end market, has added some smaller, less-expensive models to one of its projects, Wellington View. Those homes are priced from the mid-\$300,000s.

The company said the changes are not a sign that it will shift away from the luxury market.

DEBT IS KEY

Brad Hunter, of Palm Beach Gardens-based Metrostudy, said scaling back residential development plans to smaller more economical homes is “definitely a trend.”

“Most of the builders that started out at a higher price point have lowered prices and projects are being scaled down to achieve those prices,” Hunter said.

But that’s not a model every builder can follow, said Ken Endelson, president of Kenco Communities.

Builders who paid premium prices for land during the boom and obtained hefty loans would find it difficult to make the numbers work by building smaller and selling for less, he said.

Kenco has scaled back the size of homes in some of its projects, Endelson said, but they are still far from the price range that would attract most first-time homebuyers.

In one of its projects, the Oaks in Boca Raton, Kenco went from building 6,000- to 7,000-square-foot homes to building residences under 5,000 square feet. The average home price from about \$1.5 million to about \$950,000.

“We are fortunate that we are able to do this because we have very little or no debt,” he said, “We’ve reduced overhead dramatically, and we also have gotten much better prices from our subcontractors.”

Endelson, who is familiar with Stiles’s project, said he expects Centra will “do exceptionally well.”

“It’s a great strategy as long as they can come in at the right price point,” he said. “And at those prices they should have no problem selling, and they really have a very good location.”

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