

Foodie buyers targeted by homebuilders as ‘agrihoods’ blossom

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By Bloomberg News



American homebuilders have a long history of bulldozing farms to make way for new housing. Now developers are starting farms to sell homes.

Harvest, a \$1 billion “urban agrarian” community by billionaire H. Ross Perot Jr.’s Hillwood Development Co., teamed with a farmer to grow fruits, vegetables and grains alongside 3,200 planned houses northwest of Dallas.

Willowsford, a 2,130-home development in Virginia’s Loudoun County, set aside 2,000 acres for green space, including 300 acres for produce, chickens and goats. And DMB Inc. integrated produce fields and edible gardens into projects in Arizona, California and Hawaii.

As the housing industry continues its recovery from the last recession, “agrihoods” are luring buyers including retired baby boomers with a yen for fresh ingredients and parents wanting to raise their children on organic food, said Ed McMahon, a senior resident fellow at the Urban Land Institute in Washington. “The foodie generation has come of age,” he said in a telephone interview. “The mainstream development community has come to think of these as a pretty good way to build a low-cost amenity that people seem to like and that also adds authenticity to a development. It ties into trends that are emerging in U.S. culture, which is basically interest in food and health.”

Smaller-scale agrihoods, such as the 359-home Prairie Crossing outside Chicago, began cropping up in the 1980s. Serenbe, in the Chattahoochee Hills southwest of Atlanta, has sold 200 homes since the 2004 opening of the farm-centered community, which has space for 1,200 residences. What’s changed is the size of the projects and the entry of corporate developers, who are tapping into the same foodie lifestyle that’s supporting neighborhood farmers’ markets, Food Network cooking shows and the Whole Foods Market Inc. chain, McMahon said.

Perot development

At Harvest, started by the 56-year-old Perot’s Hillwood Development, a restored 19th-century farmhouse and 5-acre commercial and community farm set the project apart from others on the prairie about 35 miles northwest of Dallas, said Tom Woliver, Hillwood’s director of planning and development.

“You’re out in the greenfield in these big communities and you need to attract some interest,” he said. “Food brings everyone together.”

It’s too soon to say how much of a premium developers can charge for farm-to-table amenities, Woliver said. Harvest’s first 100 homes are occupied, with 50 others under contract and still being built, he said. D.R. Horton Inc., the largest U.S. homebuilder by revenue, this year is opening a new Harvest subdivision

including houses with large front porches “reminiscent of farm-style living,” according to Jessica Hansen, vice president of investor relations at the Fort Worth, Texas-based builder. Prices will start at \$250,000, she said.

‘Common folk’

“We’re selling to the common folk,” Woliver said. “We’re taking it mainstream, taking it to the masses.” PulteGroup Inc.’s Del Webb division sold out of its two-bedroom homes less than two years after opening a subdivision in Sendero, a 941-residence community that includes 286 homes for people 55 and older in the Rancho Mission Viejo development south of Los Angeles. DMB is a financial partner in the community, where prices in the first phase range from \$300,000 for townhouses to more than \$1 million for five-bedroom, detached homes.

Ellen Swallow, who moved into a three-bedroom Shea Homes bungalow in Sendero in November, pays \$100 for a six-month membership to work at the community garden and share the bounty of red peppers, Swiss chard and purple cauliflower.

“There are a number of us who signed up,” Swallow, 76, said recently as she and Gloria Broming, the community’s staff farmer, transplanted bunching onions. “I think as people see how it flourishes, there’ll be more interest in it.”

Produce stand

An outdoor stand selling community-farm berries, asparagus and carrots is a neighborhood gathering place at the Willowsford development, about 30 miles west of Washington, said Susan Mitchell, 33, who bought a four-bedroom Hovnanian Enterprises Inc. house in 2013 with her husband. She walks to the stand with her two sons, stopping along the way to pick flowers, pet goats and chat with the resident farmer.

“It’s having a little more nature in your backyard than the normal community,” Mitchell said in a telephone interview.

More than 500 of 2,130 planned homes have sold since Willowsford opened in 2011. Two community centers have demonstration kitchens for pop-up restaurants, wine tastings and culinary classes.

“We’re very focused on having the economics of it work and having a real farm experience,” said Brian Cullen, head of Willowsford’s development team. “I think you’re in the early stages of people proving that.”

Restaurant purchases

Willowsford’s farm, which runs at a deficit for now, will break even by about 2018 as more residents, restaurants and markets purchase its food, Cullen said. The farm cost about 20 percent as much as a golf course to develop, he said.

Willowsford is the best-selling of 20 communities in Northern Virginia for Hovnanian, which offers models starting at \$625,000, according to Peter Thompson, a group president for the Red Bank, New Jersey-based builder.

“Everybody’s fighting for sales,” Thompson said. “The farm component is a real and very positive influencer.”

The New Home Co. broke ground in January on a barn, the first structure at the 547-residence community in Davis, California, called the Cannery, which will have a 7.5-acre farm, a full-time farmer and a center

for training future farmers. The first model homes will open in the third quarter, said Kevin Carson, the company's Northern California division president.

Weekly deliveries

Almond and pear trees will line bicycle and foot paths that link the Cannery to the nearby University of California at Davis, a top U.S. agriculture school. Residents will be encouraged to sign up for weekly deliveries of fruits and vegetables grown on site, and additional produce will be sold to markets and restaurants. Plans for the Cannery's commercial center include a produce stand, brewery, farm-to-table restaurant and cafe.

"It's not just a gimmick that will go away when the sales office closes," Carson said.

U.S. new single-family houses sold at an annual rate of 481,000 in January, little changed from a more than six-year high of 482,000 in December, the Commerce Department reported Wednesday.

Builders are expected to break ground on 1.15 million condominiums, townhouses and single-family homes this year, and 1.3 million in 2016, according to the median forecast of economists surveyed by Bloomberg. Developers started 1.01 million houses last year, the most since 2007 and up from a recession low of 554,000 in 2009, according to the Commerce Department.

Green space

Boosting home sales isn't the only reason developers are weaving farms into their subdivisions. Rancho Mission Viejo LLC Chief Executive Officer Tony Moiso said the goal is to preserve green space on the company's Southern California land, which his family has owned since 1882. About 17,000 of the remaining 23,000 acres will be conserved for lemon and avocado groves, cattle ranges and oak woodlands inhabited by deer, coyotes and mountain lions.

"This helps us sell, but it's a bigger story for us," Moiso said. "It has to do with the culture of care, about the blessings of the land and the idea that food doesn't just show up at places like Trader Joe's."

<http://finance-commerce.com/2015/02/foodie-buyers-targeted-by-homebuilders-as-agrihoods-blossom/>