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## Industry Insider: James Hughes Jr., Next Generation Development Group

By

James Hughes Jr. has been a part of the Chicago area's residential building community since the 1970s, cutting his teeth at Wiseman-Hughes, the company his father founded in 1960. In fact, he led that venerable private firm from 1985 until 2008 when it ceased operations, thanks to the nose-diving real estate market at the time.

Hughes wasn't about to let those catastrophic market forces put an end to his life's work, however.

"We started to see the complete deterioration of our industry on all the platforms we were familiar with, and we had no idea of the depth or length of the downturn. So, in order to stay in the game, we formed the Next Generation Development Group to operate on a different platform and with a different outlook," he said.

"We designed the new firm to work with banks that were taking back from builders enormous pieces of property that they were not accustomed to managing," he said. "Our plan was to reposition the projects, or the new marketplace that was emerging, and to complete units left unfinished — primarily in infill locations.

"There was such an inventory of finished and half-finished sites that were becoming available that we knew we had to design a nimble company that would be ready to jump on a piece of property when it became available and take advantage of these unique opportunities."

Hughes and his partner, John Kulczewski, along with six other top Wiseman-Hughes executives formed the new company, which is also called NGD. Hughes is chief executive officer and Kulczewski is chief financial officer.

Their philosophy

NGD is picking up the pieces of other builders' projects and rearranging them to make them work in today's marketplace.

"We are focusing on the good pieces of property that are located in communities that are flexible. We are only interested in working in communities that realize that projects that were designed five years ago probably don't work anymore. They need to be willing to rework everything, including their fees."

Current projects

One of the first such project resurrections to come to market is The Hamptons of Hinsdale. The Inland Opportunity Fund, which purchased the property with financial backing from Grosvenor, a British property investment firm, hired NGD to handle construction, sales and marketing for the community, which consists of 26 townhouses, 93 condominiums and three custom single-family homes.

"It was sitting for three-plus years with the shell of the condo building up and one gentleman living in a townhouse.

It was a mess,” Hughes said.

But now construction is proceeding again. The broker grand opening for the condo building was held in late March and they already have a couple of deposits on units. The grand opening for the townhouses is expected in May.

“It took us awhile to figure out where the market is now and to hit price points that make sense, but now this premiere property is on the market again, appealing to down-sizers and young couples who want to be in Hinsdale.”

While this is a “for sale” property, most NGD projects in the foreseeable future, Hughes said, will be rental units built with future sales in mind.

“We recently closed on an infill property in Aurora with a strong three- to five-year rental potential. Located on the Aurora side of the Route 59 Metra station, it is right across the tracks from Railway Station Apartments in Naperville, a 417-unit property that has been a tremendous success since it was built by Wiseman-Hughes, my former company, in 2000-2001.”

The new property, which will be called “Kensington Station,” is zoned for 455 upscale, urban-feel apartments with indoor, heated parking. NGD also purchased an adjacent parcel that will eventually house 60 townhouses.

“We feel very strongly about the rental component of the housing market for the next three to six years, so we are investing in it. We also feel strongly about transportation-oriented developments where people can walk to a train station.”

NGD also recently purchased land at Randall and Orchard Roads in North Aurora. It is a 188-townhouse project but only 40 of the townhouses were completed by the original builder.

“We felt that there was currently no market for ‘for sale’ townhouses in North Aurora, so we went to North Aurora with a two- and three-bedroom townhouse rental project concept. Our proposed rework of the project fits the existing infrastructure on the site and we plan to build all of the units so that they are individually serviced by the utilities. This way, in three to five years when the townhouse market returns, we can convert them to condominiums and sell them.

“We plan to start on the remaining townhouses during the second quarter of this year and then we will start renting them. We know that there is a tremendous backlog of couples and families with children who can’t get a mortgage and need a place to live.”

What is the best part about being a builder?

“It is refreshing to be thinking about new products again and bringing in the people we have worked with for years. It is reinvigorating.

“We feel good about the future now that we have put the problems behind us and are seeing opportunities coming down the road again. We have always had a very strong commitment to what we do.”

What are the biggest changes you have seen in the business?

There is a whole generation out there who will have to become acquainted with homeownership, Hughes said. Unlike the generation before them, today’s young people don’t automatically assume that by purchasing a home, their money will be safe and their investment will appreciate.

“So there will have to be a whole rejiggering of products and pricing to accommodate that reality. We have to reset all the bases — what farmers wanted for their land, the fees municipalities wanted to charge builders, the fees school districts wanted to charge builders, what homebuyers wanted in their new homes, and what lenders were willing to lend. It all blew up and we have to start over.

“It is an interesting ordeal to try to pick new price points and reconfigure things in order to survive as a company. All of us are still struggling to get lenders to offer construction financing again. Some are even approaching

institutional money to get things rolling again.”

#### His background

James Hughes Sr. founded Wiseman-Hughes, NGD’s predecessor company, in 1960. Between 1960 and 2008, the private firm built in excess of 25,000 single-family homes, townhouses and apartments in the South suburbs, as well as Wheaton, Aurora, Naperville, Plainfield, Oswego, Sycamore and DeKalb.

Hughes Jr. worked for his father while in high school and college. After graduating from Colorado State University in 1976 with a degree in business, he went to work for the Wheaton-based company full-time, learning construction, sales and marketing, zoning and annexing from his father. He became a partner in 1985.

From 2003 to 2005, Wiseman-Hughes was ranked one of the top five private builders in the Chicago area and a scant three years later, in 2008, it became a nonperforming entity in order to make way for new opportunities at Next Generation Development.

For more information about NGD, visit [www.nxtgdevelopment.com](http://www.nxtgdevelopment.com) or call (630) 253-8012.