

Professional Builder Magazine

Top Land Development Firm Launches 'New Generation' Home Building Company

TRUMARK HOMES CREATED TO TAKE ADVANTAGE OF DISTRESSED LAND OPPORTUNITIES IN ANTICIPATION OF HOUSING MARKET REBOUND

June 15, 2009
HousingZone

IRVINE, Calif. -- Is a recession the right time to build new homes? According to **Trumark Companies** it is. The 20-year land development company that designs and entitles quality residential neighborhoods and builds office, R&D and retail properties is taking advantage of the market downturn to launch Trumark Homes – a home building company unencumbered by the financial challenges faced by existing builders.

Trumark Homes recently acquired 4.38 acres of land in the Inland Empire community of Upland, Calif. The home building company will develop Wyeth Cove, 39 single-family courtyard homes ranging in size from approximately 1,717 to 2,401 square feet. Construction is set to commence in August 2009; opening date as early as 2010.

“We will be the new generation of home builders who are responsive, focused and unburdened by legacy issues, large bureaucratic systems or broken projects,” said Michael Maples, principal of Trumark Homes and co-founder of Trumark Companies. “Our strategy is to leverage our real estate knowledge and expertise to build a large West Coast homebuilding company targeting both Northern and Southern California markets, initially targeting the distressed market niche.”

Spearheading the launch of Trumark Homes, along with industry veteran executives Marty McComas and Jason Kliewer, are co-founders Maples and Gregg Nelson, who is also a principal. Together, they bring more than 40 years of real estate experience in residential and commercial acquisition, planning, entitlement, financing, construction and sales. In 1989, Maples and Nelson formed Trumark Companies using the downturn of the early 90s and the recovering market that followed to control, entitle and sell thousands of lots to homebuilders. In 1996, seeing the returning opportunities in commercial real estate, they formed Trumark Commercial, which continues to develop and build retail, office, R&D and mixed-use in the San Francisco Bay area.

During the recovery cycle, the goal of Trumark Homes is to build top-of-the-line homes at competitive prices – primarily targeting infill opportunities in constrained markets - with a preference for finished lots or unencumbered properties.

According to Maples, the reduction in home prices, distressed property assets and the credit crisis have created opportunities in the land market, which provides Trumark Companies the ability to acquire lots at a cost that will deliver superior profit returns.

Since Trumark Homes is able to build on land that was purchased on good terms – often at below replacement cost – it can afford to sell homes at prices as much as 50 percent below what the market would have priced them at in 2005 before the real estate market crashed.

“A down real estate market is the perfect time to launch a homebuilding company since relationships have changed from old builders to new builders,” said Nelson. “We are at a

competitive advantage, where investors are seeking to work with us - the new leaders in the home building industry.”

Currently, Trumark Homes is underwriting its deals using private equity and does not expect to acquire debt until 2010. According to Maples, once banks become more confident and start lending again, the company will seek low-leverage construction loans for current and future projects.

“We believe that banks will be interested in lending to us because our devalued assets will offer significant loan security and upside potential. In addition, most of our projects will be located in niche markets where there is no competition,” said Maples.

In addition to the land acquisition in the Inland Empire, Trumark Homes is on target to purchase land to develop new residential projects located in Orange County and Santa Cruz County.