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REAL ESTATE
Mark Mueller

New Homebuilders Crop Up, See Land, Materials Deals **By MARK MUELLER - 2/15/2010** **Orange County Business Journal Staff**

It's often said the best time to start a company is in the midst of a down market.

If that's the case, then there's never been a better time to start a homebuilding company than in the past year or two. 2009 saw about 1,500 new homes sold in Orange County, the lowest level seen here in recent memory (see story, page 24).

"Our philosophy was to start the company in a down market—but hopefully at the end of the down market," said Michael Maples, principal and chief executive of Irvine-based Trumark Homes.

Trumark Homes was started in 2008 by Danville-based Trumark Cos., a 20-year old commercial developer.

The homebuilding company now counts about a dozen employees and one OC project in the works: an 11-acre site in Lake Forest where construction's expected to begin later this year.

"We wrote the sketchbook for the company almost 15 years ago," Maples said.

The company was almost started during two other lulls in the market, but the latest recession pushed the company to act, he said.

Kicking off operations when the market's bad has several advantages, Maples said. The company can get access to great leadership and good contractors at lower prices.

Also, properties the company buys are likely distressed and can be bought at discounts.

"You can ride the appreciation" until the market returns, Maples said.

Several new local companies are following Trumark's lead and are hoping they've timed the market right.

One of the largest housing-related land deals seen in OC in the past year was a \$26 million buy in Newport Beach last month by Santa Ana's City Ventures LLC, a land developer and homebuilder that started up operations a year ago.

The company's hoping the 25-acre site, along Jamboree Road near the Irvine-Newport Beach line, will support several hundred homes once the market returns.

It's encouraged by the recent success seen by upstarts New Home Co. of Irvine and Tri Pointe

Homes of Newport Beach. The builders are part of the new home collection at Irvine Company's Woodbury development near the former El Toro Marine base, which has seen quick sales.

New Home counts a number of local housing heavyweights, including Chief Executive Larry Webb, who previously headed up Irvine's John Laing Homes, and Joe Davis, who led housing development for Newport Beach-based Irvine Co. until 2007.

Tri Pointe's executive team consists of former leaders at Newport Beach's William Lyon Homes Inc., including former president Doug Bauer.

Brisk sales seen at Woodbury this month stand in contrast to what had been seen in the market the past few years.

"We're trying not to be too ecstatic. Cautiously optimistic is more like it," said Webb of his company's first interaction with buyers of the company's Carmel homes in Woodbury. "After the last couple years, anything will make us feel better."

Even nontraditional homebuilders are getting into the action. Newport Beach-based cabinetmaker RSI Home Products Inc.—led by Ron Simon, one of OC's wealthiest residents—last year launched a new homebuilding unit, RSI Development.

The company is armed with \$100 million in funding, and it aims to make lower-priced homes, which will be manufactured largely in Mira Loma. Last month it added a new chief executive, Jay Moss, who

previously led Southern California homebuilding operations at Los Angeles-based KB Home.

The company's aiming to build inexpensive homes that can compete on price with the foreclosures that are still expected to remain on the market for the time being, Moss said. A few prototype homes have been built in Santa Ana.

"The consumer is still cost-conscious," Moss said.

Builders also are being cost-conscious. Most of the nascent builders popping up across the county are hoping to take advantage of depressed land prices and cheaper construction costs, along with a renewed buyer appetite for new homes after several years of limited options.

But the economics of the industry isn't the only deciding factor for some.

"I love being a homebuilder," said Webb, who stepped down from the top spot at John Laing Homes in 2008, two years after the privately held company was sold to Dubai's Emaar Properties PJSC.

"I've always felt it was a noble thing to do—to build a home that families grow up in. I'm never more charged than when I'm with people who feel the same way," Webb said.

Webb said that staying away from the homebuilding industry was never the plan, even after leaving John Laing. Before starting up New Home, he helped in the restructuring of Miami-based Landsource Communities Development LLC, which had fallen into bankruptcy.

New Home currently counts a little more than 20 employees, most of them in Irvine. A majority of them are former John Laing employees.

Future New Home projects are likely to mirror what the company's building in Irvine: higher priced homes targeting move-up buyers. Its Carmel models start at about \$900,000.

"We're going to spend most of our time in land-constrained areas. We're not going to be in secondary markets, where the cheapest (price) wins," said Webb.

New Home has another project in the works in a master-planned community in Sacramento, but it will largely be focusing on coastal areas in OC and San Diego.

"We're going to take our time (buying land); we're not going to do a bad deal. We're not forced to be in the same arena as the public homebuilders," Webb said.

Maples' Trumark Homes has different prices, and locations, in mind for its first few projects.

For now, it's looking to build homes that buyers can find easy financing for—ideally staying under the \$729,500 government cap for high-cost areas.

"The biggest issue is still qualifying (for a loan). It's still an issue," Maples said

After it began operations in May 2008, Trumark spent nearly a year looking for land, but it didn't get a deal done.

Since then, it has made four purchases, including its Lake Forest deal. Banks are starting to make more of an effort to unload land, Maples said.

In total, Trumark owns or controls land that'll hold up to 900 homes.

"We want to be within 40 minutes of job centers," Maples said.

The company's goals are to sell 60 homes in 2010, 150 homes next year and about 300 homes in 2012. It's looking to build in areas with older houses that haven't been plagued with a high number of foreclosures. Southern California will be Trumark's largest market, although it's also looking to build in the Bay Area.

Like Webb's New Home, reaction to Trumark's first community is encouraging.

In the San Bernardino County city of Upland, where Trumark is looking to build 39 two-story homes at a development called Wyeth Cove, the company had more than 1,000 visitors on the opening weekend of its model homes earlier this month.

"People are thinking it's a good time to start looking. It's a big difference from a year ago, when people thought they were going to lose their jobs," Maples said. "Now, if they've made it through (the past year), they think they'll survive."