

STARWOOD LAND VENTURES

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Even in a tough market, there is always a sweet spot – that point where the factors converge to create enviable success against daunting odds. In Central Florida, Starwood Land Ventures has found a sweet spot.

At a press conference in 2008, David Hart, vice president of legislative and governmental affairs of the Florida Home Builders Association, called the state's declining homebuying trend the "worst housing downturn in our lifetime." The high percentage of subprime home loans led to homeowners defaulting on mortgages, and there was a 30 percent drop in single-family home sales from just two years earlier. Statewide, the median sales price of homes fell 10 percent. Despite the grim reports, two veteran housing developers were able to see a recovery where others did not.

"We saw that the residential market would have serious correction, as it has," says Mike Moser, a founder and co-CEO of residential real estate investor Starwood Land Ventures. He founded the company in 2007 with co-CEO Mike Forsum who runs the West Coast division. "We have been reviewing assets all over the nation to get the best opportunities and have spent a quarter-of-a-billion dollars on more than 17,000 lots. We have subsequently resold 5,000 of those lots. In 2007, 2008, 2009 and 2010, we were really in gathering mode and full-blown acquisition mode. Now we are in acquisition and disposition mode."

SHINING STAR

One of those acquired assets includes Orlando's No. 1-selling community, Independence, located in Horizons West just north of the Walt Disney World property. In February 2010, Starwood Land Ventures acquired 5,449 residential lots and 36 model homes in bankruptcy court as the "stalking horse bidder" from developer TOUSA for \$81 million. Independence was included in those assets and encompasses approximately 920 lots. In the last two years, it has sold nearly 400 lots to homebuilders. Moser cites its proximity



to the Walt Disney World resort, Medical City – a 600-acre biotech park and hospital complex – and the Orlando International Airport as contributing factors to the community's appeal.

However, Starwood Land also brought new life to the community with landscape and hardscape investments including miles of walkways and neighborhood amenities such as a fitness center, pool house and an arcade that's free for the entire community.

"It had a very good base but it was severely impacted by the recession with delinquencies and foreclosures," Moser explains. "It was not being maintained. We went in with a fresh set of eyes and tremendous capital and re-launched the community. We made a tremendous amount of investment in hardscape and landscape. We think it's successful because of the capital infusion and because we brought in a very strong builder team led by Lennar Homes and Ryland Homes."

Independence offers townhomes by builder A&M Homes and single-family homes by Lennar, Ryland and Taylor Morrison Homes priced from \$140,000 to \$400,000. The community sells an average of 180 homes a year and there are approximately 500 lots left to be built. Moser explains that Independence is the perfect storm of what homebuyers are seeking – a good location, affordable prices and a cornucopia of lifestyle amenities. Next door to Independence resides the SummerLake community, which Starwood Land bought in December 2010. Moser explains

that it has the same winning formula as its best-selling neighbor.

"There were 17 homes when we bought this property and that's all that was built there," Moser says. "We took control of the project and have gone in and spent about \$4 million on landscape, hardscape, a clubhouse and pool, a volleyball and tennis court, and a fitness center that will all be up with the next 90 days. We brought in KB Homes and DR Horton – two public builders. The community is selling 10 or 11 homes per months, so it's averaging 120 a year. It's been very successful and we're happy with this project, too."

NEW VENTURES

As Starwood Land continues to methodically dispose of its assets, the company continues to invest in most states. It canvasses the entire nation scouting the best opportunities in each market. It has acquired 6,000 lots in Phoenix, which co-CEO Mike Forsum says "has seen a tremendous rebound and we are selling in many of our communities." It also purchased 1,800 lots in Denver, just south of the Denver Technological Center, the area's business and economic center. Starwood Land works with their capital source, Starwood Capital Group, in acquiring loan portfolios across the country, which creates a competitive advantage for market knowledge.

"We look for 'A' locations," Moser explains. "We want to be in the best submarkets where there is the highest demand for builder groups. We are willing to pay a premium for the land if we can get the best location and add amenities and landscaping and hardscaping to try and have the best community in that submarket. Although people are buying houses at very affordable rates, they still want an extraordinary lifestyle and amenities. Many communities have been through the recession and they show signs of the recession. But we don't think our communities show any wear and tear from the recession."