

SEEKING LAND FOR FUTURE PROJECTS

Major builders have all but halted land purchases, but some developers, including a new partnership called **Forestar Land Partners LLC**, will purchase and entitle land with confidence that builders will eventually run short on land supplies. The new company will face competition from established developers like **SunCal Cos.**, **Lewis Group of Companies** and **Newland Communities**. Forestar Land believes that in a year or two builders will need lots quickly for new construction. Expect builders to increasingly capitalize on finished lots that are approved and ready when needed.

Obtaining the lots can cut years off the time it takes to break ground on a project. The lots carry a much higher price tag than raw land, but builders see value in avoiding long waits and complications in getting approvals. Also with finished lots, each home site has been mapped out and utilities are nearby. Public builders like purchasing finished lots because they can plan projects while keeping land and land development off of balance sheets. Forestar Partners is not a land broker or builder, but rather a land buyer, entitlement service, developer and seller. The company plans to purchase land in strategic locations from Bakersfield to San Diego, including both coastal and inland areas.

Forestar Land Partners LLC formed through a partnership between **Foremost Communities Inc.**, a new residential land development company formed by **Steve Cameron**, and **Starwood Capital Group LLC**, a real estate investment firm. Cameron previously served as COO of private homebuilder **Fieldstone Communities**. Forestar Land Partners plans to acquire undeveloped property — both infill and raw land — that can be entitled and developed into finished lots. A controlled affiliate of Starwood Capital Group will provide an initial \$100M of equity that, with modest leverage, will provide the venture with purchasing power of \$250M or more. Money will come from both pension and private equity funds. The holding period for the land will be two to seven years, and land will be purchased from brokers and individual landowners. Starwood Capital Group has a diversified portfolio totaling more than \$14B in real estate assets.

Forestar seeks parcels that can accommodate large developments of 200 homes or more, as well as large master-planned communities. Cameron believes that when housing prices begin to stabilize, builders will be anxious to start new home construction. However, they will likely find holes in their land inventory. Forestar does not own an existing inventory of over-priced land, so it can focus on land opportunities at today's prices. Land prices have been slow to fall in the sluggish home market, but should begin to slide during the next year or so. Cameron does not know when and how much land prices will fall, but he is positioning himself to take advantage of a less-competitive, lower-priced land market.

SunCal Companies has large new MPCs planned for Escondido, Corona, San Marcos, Fontana, Diamond Bar, Castaic and Orange. SunCal has sold lots to The Olson Co., MBK Homes, KB Home, Lennar, Brookfield Homes, Pardee Homes, Greystone Homes, D.R. Horton, JD Pierce, Woodside Homes and Ashbrook Homes. SunCal remains busy with multiple new projects despite slower home sales. The company, headed by President and CEO **Bruce Elieff**, sees the market as cyclical, and like Forestar Land Partners, believes builders will need finished lots once the market begins to bounce back.

Lewis Community Developers, a division of Lewis Group of Companies, develops communities in both Southern and Northern California, with a large number of projects in San Bernardino County. **Richard A. Lewis** serves as president of the company. **Gary Borkowski** is Southern California VP of land acquisitions. Newland Communities has communities in San Diego, Orcutt, Temecula and Rocklin. **Robert McLeod** oversees the projects as company chairman and CEO.

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