

# A Lennar Veteran Dares to Build Again

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Emile Haddad sold 12,000 acres in California at the housing market's peak four years ago for a \$277 million profit. He and a group of investors bought back the land at half the price in 2009. Now, says the developer, it's time to build.

Haddad, chief executive officer of FivePoint Communities in Aliso Viejo, Calif., is developing four new master-planned communities: two in the Los Angeles area and two in the Bay Area, totaling 45,000 residences and 19 million square feet of commercial space. Construction of the first homes is scheduled to begin in the second half of this year.

California is emerging from a five-year housing bust. Home values are up 23 percent statewide from the trough in February 2009, with affordability at the highest level in a decade for first-time buyers, data from the California Association of Realtors show. "I don't want the party to show up and I'm not dressed," says the 52-year-old Haddad, who immigrated to the U.S. from war-torn Lebanon in 1986.

Haddad has some deep-pocketed backers: They include his former employer, Miami-based homebuilder Lennar (LEN), as well as tech billionaire Michael S. Dell and Ross Perot Jr., son of the Texas mogul and two-time Presidential candidate. Lennar has about a quarter of its \$626

million of joint venture investments in Haddad's developments at Newhall Ranch north of Los Angeles, the former El Toro Marine Corps Air Station in Orange County, and Hunters Point and Treasure Island, both former U.S. Navy bases in San Francisco. "Over the past five years we've taken a lot of pain on some of these ventures," Lennar CEO Stuart Miller said during a Jan. 11 conference call, after reporting the company's first annual profit since 2006. "As we come out of 2010, we are getting better positioned to reap some benefits from some of those deals."

FivePoint faces a host of environmental, legal, and financial hurdles that could delay delivery of homes in each of its four locations. Chief among them: California Governor Jerry Brown's proposal to eliminate local agencies that use property tax revenue to help finance redevelopment of blighted sites. "These projects are the most difficult in the state of California," says John Burns, CEO of John Burns Real Estate Consulting in Irvine, Calif., who has advised some of Haddad's investment partners.

Plans for the 700-acre site at Hunters Point call for as many as 12,000 homes and 3 million square feet of commercial space. Units will be priced starting at \$525,000. For Treasure Island and adjoining Yerba Buena Island, Haddad envisions more than 7,000 homes, with prices averaging \$800,000 per unit. FivePoint expects to sell an average of 650 homes a year in the two projects. That's a lot for San Francisco, where the market absorbs about 1,000 new homes a year, says Tony Avila, CEO of Avila Advisors, a homebuilding investment consulting company. Says Avila, "Hunters Point and Treasure Island will cannibalize each other."

Haddad says that, with his nearly 30-year track record in the business, he has the chops to see the projects through. As chief investment officer at Lennar, a post he held from 2006 until he left to start FivePoint in 2009, Haddad steered real estate proposals through regulatory approvals and found investors to get projects "out of the quicksand," he says.

One of those endangered projects was Newhall Ranch. In January 2007, near the peak of the U.S. housing bubble, Haddad negotiated the sale of a 68 percent stake in the 12,000-acre ranch and other properties in an entity called Landsource Holding to the California Public Employees' Retirement System for \$970 million. Lennar, which had acquired the site three years earlier, booked a \$277 million profit from the deal. In

June 2008, with California home prices down 59 percent, Landsource filed for bankruptcy protection. Thirteen months later, under a court-approved reorganization, Haddad and Lennar paid \$140 million to regain a 15 percent equity in Landsource, management control, and immunity from creditor lawsuits. "That was extraordinary," says Vicki Bryan, a senior analyst for corporate bond research firm Gimme Credit.

Haddad says delays and obstacles come with the territory: "In this business, we don't plan for the next two years. We plan for two decades."

**The bottom line:** *Backed by Lennar, developer Emile Haddad aims to build four residential communities that will add 45,000 new homes in California.*