Questions & Answers with Some of Our Key Speakers
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In anticipation of the 6th edition of our Real Estate Private Equity Forum on Land & Homebuilding (East), taking place in Miami, FL, April 29-30, we asked some of our key speakers about their thoughts on the state of the industry, how they’re responding to changes in the market and their outlook going forward.

- What is your favorite market right now and why?
- What do you see as the biggest challenge for your business to overcome in the coming year?
- How has the sudden decline in mortgage rates impacted your business plan for 2019?
- How are you recruiting to address growing demand?
- Tell us about your last land and homebuilding deal. How did you finance it?

See what there is to say about the Land & Homebuilding market...
ALAINA MONEY-GARMAN  
Founder & CEO  
Garman Homes

Alaina is founder and CEO of Garman Homes and Fresh Paint by Garman Homes. Prior to her current role, Alaina was employee #3 at Garman Homes and managed both the sales and construction teams before ultimately serving as Division President until 2017. She has documented nearly every success and failure of her career in her award winning blog, Build Like a Girl. Alaina was named to Professional Builder’s list of 40 Under 40 for the class of 2015. Alaina has also been named Builder of the Year twice - in 2015 by the Home Builders Association of Durham Orange Chatham County and in 2017 as the first female recipient of the award by the Home Builders Association of Raleigh-Wake.

What is your favorite market right now and why?
Raleigh-Durham is our only market right now but I’m crushing on Denver, our next market. I like our home market because there’s a built in flow in and out of the market - with 3 major Universities people are frequently moving here for a short time, which feeds new construction specifically. We comprise nearly 40% of the total market here. Denver is a hot market for sure but I like it because the people are committed to a great quality of life and they make it happen for themselves. I like the chance we have to be part of that energy - taking responsibility for our quality of life and enhancing it for others.

What do you see as the biggest challenge for your business to overcome in the coming year?
Finding affordable lots to purchase in areas where we want to build.

How has the sudden decline in mortgage rates impacted your business plan for 2019?
It felt a bit like a kickstarter for the Spring selling season. March was our best month yet - we’re hoping for a Spring Upswing to help us capture as many units as possible for 2019.

How are you recruiting to address growing demand?
Our philosophy has always been to cultivate the relationships with people before you need them and use the time in between to get to know each other better so if and when the time is right, the move is a lot easier to make. The relationship and credibility is already established so the person is ready and eager to join the team. But we want to run lean and mean - we’re not hiring in expectation of growth, we’re stretching to meet growth and hiring once a new normal is established.

Tell us about your last land and homebuilding deal. How did you finance it?  
We only purchase finished developed lots and most are on a rolling takedown so financing is digestible for us using our own capital.
TOM HALLOCK
Chief Credit Officer
Genesis Capital

What is your favorite market right now and why?
In addition to our primary markets of California and New York, we are currently focused on Seattle and Washington DC. In the California market we are seeing excellent new home production in fire re-build of Napa Valley. Additionally, Los Angeles infill continues to perform well due to long entitlement time-frames and scarcity of new homes. Seattle continues to have excellent employment and job stability and we project the market will continue to have new home scarcity which will keep demand for new homes high. Likewise, we see Washington DC and the surrounding communities poised for continued growth and redevelopment.

What do you see as the biggest challenge for your business to overcome in the coming year?
Lending competition continues to be a challenge with new lenders entering markets and either reducing pricing or increasing leverage (a positive for builders). Additionally, we are concerned about a general market recession where the job and wage growth slows or stops.

How has the sudden decline in mortgage rates impacted your business plan for 2019?
In the short term it’s a positive factor for our clients. Home affordability has improved significantly with the recent slow-down in price appreciation, wage growth and now lower interest rates. In the long-term uncertainty regarding a recession is a concern.

How are you recruiting to address growing demand?
We are recruiting heavily in our origination staff. Last year we focused on our back-office and credit functions in preparation of growing our portfolio in the next three years.

Tell us about your last land and homebuilding deal. How did you finance it?
We recently closed the first phase of a single family development in Riverside CA. We made the A&D loan about six months ago and the first phase of 15 homes allows the developer to start a significant portion of the project without pre-sale requirements.
MATTHEW MONTGOMERY

President
Groundstone

“We all share a responsibility to create vibrant and sustainable communities for everyone to enjoy.”

This assertion stems from over 25 years’ experience in sustainable construction and real estate development. Matthew knows and understands now is the time to make the right decisions for the future of how we develop and construct our communities. Throughout his career, Matthew has developed some of South Florida’s most successful communities. GroundStone’s most recent success, Bay Colony in Juno Beach, received Professional Builder Magazine’s 2015 Gold Award for best new community.

What is your favorite market right now and why?
Florida and the Carolinas. All have strong demographics, warm weather, mountains, beaches, great colleges, diversity, relatively low cost of living in most areas. Don’t see any of this changing in the near future.

What do you see as the biggest challenge for your business to overcome in the coming year?
Increase pricing of properties. Too much capital chasing deals which can artificially inflate pricing.

How has the sudden decline in mortgage rates impacted your business plan for 2019?
We don’t see any real impact.

How are you recruiting to address growing demand?
Networking and word of mouth.

Tell us about your last land and homebuilding deal. How did you finance it?
We have had a few. Purchased a block of lots with cash for high end single family. Another 200+ developed lots in a stalled community from the downturn. Purchased cash thru a combination of buy-outs, settlements, tax defaults, and foreclosure. All our deals have been purchased with cash. Debt financing for soft cost, improvements, construction, etc.
For more information, please contact:
events@imn.org | (212) 901-0552 | www.imn.org/landeast

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evants@imn.org | (212) 901-0552 | www.imn.org/landeast

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BAILEY NEAL
Principal
Legacy South

Bailey Neal is Principal of Legacy South Companies which offer a variety of development, construction, and property management services in Nashville, TN. Bailey began his real estate career while finishing his senior year of college at Southern Methodist University in Dallas, TX, seeking out foreclosure rehabs. In 2014, he and current partner formed Village Builders which eventually became the foundation of Legacy South. In 2018, Legacy South Builders was the 6th largest home builder in Davidson County (Nashville), TN and the 3rd largest builder of infill homes.

What is your favorite market right now and why?
Currently we’re only in Nashville. But within Nashville, we’re very bullish on entry level and move up buyers.

What do you see as the biggest challenge for your business to overcome in the coming year?
As a start up in a capital intensive industry, access to debt and equity are a consistent challenge with debt the more challenging of the two. Networth, liquidity, and lending limits of smaller banks limit our growth. We’ve sought private lenders and debt funds. However, most of their products are geared towards fix and flip. We are interested in meeting with lenders to help us work to continue to grow our business.

How has the sudden decline in mortgage rates impacted your business plan for 2019?
In our market, the supply was very tight at the end of last year despite the slow down in sales volume. Nashville was also the lucky recipient of several large corporate relocation announcements around that time. So, when rates dropped at the first of the year, we felt a huge surge of demand.

How are you recruiting to address growing demand?
We’ve recently been fortunate to hire several project managers and an estimator all from large regional or national builders. The top two selling points were A) average age of our existing team and B) perceived opportunities for career growth or advancement given our current business size and trajectory.

Tell us about your last land and homebuilding deal. How did you finance it?
We recently financed an infill townhome project in a rapidly growing area of Nashville. We partnered with a private equity fund who provided preferred equity for 80% of the equity portion of the stack. The remainder we provided as common equity. We financed roughly 50% of the A&D and 90% of the construction with traditional bank debt. We found getting the equity was easier than prior projects because we had permits in hand and were ready to start immediately upon closing.
What is your favorite market right now and why?
Phoenix, AZ is my favorite market now because it has solid fundamentals, good job growth, affordability and a diversifying work force. AZ benefits from tax policies that are a detriment to high tax states such as California. Finally, the Arizona housing markets were among the last to recover from the great recession and it has lots of room to grow, even if a national economic recession were to emerge.

What do you see as the biggest challenge for your business to overcome in the coming year?
The biggest challenge to our business is the perception that an economic recession is imminent, which is causing lenders and capital sources to pull back. This has caused an overall slowdown in construction activity and the rate of growth of our business.

How has the sudden decline in mortgage rates impacted your business plan for 2019?
Mortgage rate sensitivity is at an all-time high. The decline in rates has allowed the market to regain momentum at a time when it is needed most. When rates eventually go back up, I expect housing to be significantly affected, particularly entry level housing.

How are you recruiting to address growing demand?
Recruiting is extremely difficult. We are evaluating our practices currently because we are not replacing quality talent as quickly as needed.

Tell us about your last land and homebuilding deal. How did you finance it?
My last land deal was purchased with all equity from a high-net worth investor. Due to sluggish market conditions, I did not sell it as anticipated in 2016 and only recently was able to put the deal in escrow. If I had debt on the property, I would have lost it.
LOU STEFFENS  
*President, Acquisitions*  
Taylor Morrison  

Lou Steffens joined Taylor Morrison as president of the company’s East Region in January 2007. He is currently responsible for the development and execution of strategic, operational and financial business plans for the East Region, which includes the north Florida, west Florida, Houston and Austin markets. Prior to joining Taylor Morrison, Steffens spent four years at Beazer Homes, 10 years at Pulte Homes and three years at Coopers & Lybrand. Steffens has a bachelor’s degree in accounting from Michigan State University and is a licensed (currently inactive) certified public accountant.

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**Q**  
What is your favorite market right now and why?  
Phoenix. With the tax law changes, it appears Phoenix has been the beneficiary of folks leaving high Tax California and moving to Phoenix. Also, they continue to see robust activity from Snow Birds.

**What do you see as the biggest challenge for your business to overcome in the coming year?**  
I believe we will face headwinds in future buyer demand as rates go up, based on a majority of homeowners being locked in on long term loans at historically low rates.

**How has the sudden decline in mortgage rates impacted your business plan for 2019?**  
Activity has picked up since the 4th quarter, eliminating some of the mortgage rate headwinds.

**How are you recruiting to address growing demand?**  
We are proud of the culture we have cultivated and believe it provides us an advantage in recruiting top talent as we continue to grow.

**Tell us about your last land and homebuilding deal. How did you finance it?**  
Our AV homes acquisition was our last big acquisition in Q4 2018. We were able to finance the deal with cash on hand, our revolver and 364 day bridge loan. Strong 2019 cash flow projections gave us confidence we could pay down revolver and bridge loan without needing to go to the debt markets.

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For more information, please contact:  
events@imn.org | (212) 901-0552 | www.imn.org/landeast
MARGARET WHELAN
Founder & CEO
Whelan Advisory

Margaret Whelan has worked on Wall Street serving the real estate industry for over 20 years. In this role she provides strategic and financial counsel to leaders of both public and private companies in the U.S. and globally. Having participated in raising $20+ billion in capital for housing and construction companies, she is widely recognized as an expert with deep knowledge of growth drivers, players, valuation and financing alternatives.

What is your favorite market right now and why?
Central Florida, because it’s affordable, there’s a wide range of product available, and several sophisticated shell framers operating to reduce cycle times.

What do you see as the biggest challenge for your business to overcome in the coming year?
Rates have been more volatile in the last few years and it makes it harder to predict and forecast returns on reliable growth opportunities.

How has the sudden decline in mortgage rates impacted your business plan for 2019?
Our advisory business slowed down at the end of last year, but came back strongly in January. We’ve closed two years year to date, with two closings more planned for this quarter. Investor and strategic interest in compelling investment opportunities is very high.

How are you recruiting to address growing demand?
We take care of the great people who work for us, and leverage that reputation to recruit people we trust who we’ve worked with over the years.

Tell us about your last land and homebuilding deal. How did you finance it?
Earlier this we represented a builder client on a traditional programmatic equity facility with a large PE firm, we also closed a $100mn land banking commitment for a different builder.

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The 6th Annual
REAL ESTATE PRIVATE EQUITY FORUM ON LAND & HOMEBUILDING (EAST)

April 29-30, 2019 | Miami, FL

Find out more...

IMN’s 6th Annual Real Estate Private Equity Forum on Land & Homebuilding (East) will host national and regional homebuilders – both public and private – as well as private equity funds, capital providers, land developers and other key homebuilding industry stakeholders.

Those featured in this eBook join our 60-member speaking faculty, and will speak on such topics as the Build 2 Rent Revolution, M&A Activity, Private Equity Perspectives, and much more. In addition to the 14 discussions which will take place over the 1.5 day conference, the agenda also features over 4.5 hours of networking time allowing attendees to forge those critical business connections.

Join them April 29-30 in Miami, FL. Register online at www.imn.org/landeast.

Conference Venue

W Miami Beach
2201 Collins Avenue
Miami, FL 33139 USA

Phone:  (305) 938-3000
Website:  W Miami Beach

For more information, please contact events@imn.org or (212) 901-0552; or visit the event website at www.imn.org/landeast.