The 7th Annual
REAL ESTATE PRIVATE EQUITY FORUM ON LAND & HOMEBUILDING (WEST)
September 23-24 | Las Vegas, NV

Questions & Answers With Some of Our Key Speakers

See what homebuilders, land developers and investors are saying...
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In anticipation of our 7th Annual Real Estate Private Equity Forum on Land & Homebuilding (West), September 23-24 in Las Vegas, we asked some of our key speakers about their thoughts on the state of the homebuilding industry and some of the strategies they’re employing to remain competitive in today’s environment.

Read on for a preview of some of the insights which will be shared at the conference later this month.

• Which significant market events in the last year have affected your business most, whether positively or negatively?

• In which markets and sectors do you see the greatest investment opportunities for 2020?

• What are the implications of a looming recession on the homebuilding market and what is your business doing to prepare for this possibility?

• What do you see as the biggest challenge for your business to overcome in the coming year?

• Will we see continued consolidation in the national homebuilding market in 2020?

• Tell us about your last land and homebuilding deal. How was it structured?
Aimee Martin
Principal
ASM Real Estate Advisors

Aimee Martin has over 25 years of diversified real estate experience in equity/debt originations, finance, asset management, development, planning and operations. She is a skilled strategist and problem solver with a track record of value creation in residential projects across the country.

Which significant market events in the last year have affected your business most, whether positively or negatively?
Interest rates rising and falling, and the extended negative and positive impact on builder and consumer confidence.

In which markets and sectors do you see the greatest investment opportunities for 2020?
Relatively affordable price points in housing markets with solid growth fundamentals and continued low levels of inventory and the new and growing single-family build-to-rent sector.

What are the implications of a looming recession on the homebuilding market and what is your business doing to prepare for this possibility?
Overall we expect an economic downturn to have less negative impact than last cycle given ongoing low inventory levels. However, we continue to carefully monitor affordability and values and are maintaining very conservative underwriting assumptions with increased focus on protecting our downside.

Will we see continued consolidation in the national homebuilding market in 2020?
Yes
Mike Benshoof
President
Berks Homes

Mike Benshoof has nearly 30 years of experience in the home building industry. He started learning the industry from the ground up in his family’s business. He then spent seven years at NVR (one of the Nation’s largest home builders) in production and sales management, before becoming the Director of Business Analysis for the Economics Group at the National Association of Homebuilders.

Q

Which significant market events in the last year have affected your business most, whether positively or negatively?
Tariffs hurt at some points when lumber prices ran up. Probably lost about $400k in profit. Mid-term elections put a dent in sales for about 6 weeks.

In which markets and sectors do you see the greatest investment opportunities for 2020?
We invest in markets with 300 to 2,000 permits. Our strategy is to be the big fish in small ponds.

What do you see as the biggest challenge for your business to overcome in the coming year?
Preparing to make our first acquisition (non-organic growth). Staying on top of cash flow.

Will we see continued consolidation in the national homebuilding market in 2020?
I would assume that consolidation will slow if many builders are predicting a downturn.

Tell us about your last land and homebuilding deal. How was it structured?
Land bank for town home community.
68 lots
15 percent cash from us
12.5 percent discount from developer for bulk purchase at streets (with one building purchased 60 days prior to blacktop)
4 lot per month (average) take down schedule from land bank
We pay for snow removal, lawn mowing, taxes

(Part of a larger $10mm land bank deal with this particular investor)
Investor is requiring an 18 percent unlevered IRR
With a 10 to 15 percent discount from developer – that’s fairly easy to provide. Without the discount, we have to reduce margins to make velocity and IRR work.
Tomas Fach
VP, Homebuilder Finance Group
FlagStar Bank

Raised in Houston, TX, Tomas got his start in in the industry while working at Bank of America and simultaneously earning a finance degree at Texas State University. In 2003, he joined RBC Builder Finance Group, working closely with a tight-knit and experienced team of bankers who now make up the bulk of Flagstar Bank’s Homebuilder Finance Group. Tomas’ 16 years in the real estate and lending industries has helped him develop an insight that enables him to see the big picture from the client’s perspective.

Q

Which significant market events in the last year have affected your business most, whether positively or negatively?

I’d say the consolidation of the homebuilding industry with some larger private companies being acquired by national builders. This reduces our Bank’s commitment and outstanding balance.

In which markets and sectors do you see the greatest investment opportunities for 2020?

I see opportunities in the Single-family for-rent space in states that have no income tax but a higher property tax (i.e. Texas, Washington, Florida, Nevada). The same goes for baby boomers or empty nesters seeking to retire in areas with lower costs of living; especially when paying cash for homes. High overhead is not ideal for folks living on fixed income.

What are the implications of a looming recession on the homebuilding market and what is your business doing to prepare for this possibility?

A looming recession is nothing more than speculation at this point. Our company and our clients have been paying attention to all the market indicators and are prepared should a correction hit. The majority of our clientele survived the Great Recession and came out wiser for it and are maintaining lower leverage and higher liquidity to buffer against any future storms.

What do you see as the biggest challenge for your business to overcome in the coming year?

The lending business is relationship and service oriented and our greatest challenge is keeping up to speed with technology that will benefit our clients and their business. Specifically the technology related to loan servicing to ensure the client can act quickly. We pride ourselves on being a partner and one who is always looking out for their best interests.

A

Tomas Fach continued onto the next page...
Will we see continued consolidation in the national homebuilding market in 2020?

If I were a betting man, then I would say the odds are we will see more consolidation. Some quality builders have emerged on the private side that may serve a specific market or niche that a national builder may see as a complementary piece and they'll pay up for that. There is also foreign capital interested in the U.S. homebuilding space and they typically are satisfied with lower returns on investment than U.S. based groups. Therefore, they can pay a higher price for the same deal and that may be a good thing ultimately for the end home-buyer. Something to watch.

Tell us about your last land and homebuilding deal. How was it structured?

A recent deal that was a lot of fun was a lot banking deal for a private homebuilder in the Denver MSA. The builder needed a capital source to restructure their existing land debt and sought out a client of mine to consolidate it. These two parties came to a deal and we were able to finance the acquisition and development of several hundred lots over 4 separate communities for our lot banking client. The builder was able to take the inventory off balance sheet and the lot banker was able to deploy significant capital in one fell swoop and improve their return with Bank financing. This was a win-win for all parties involved and served as a direct referral between two Flagstar Bank clients.
Philip Trujillo
Western Area Manager, Homebuilder Finance
FlagStar Bank

Which significant market events in the last year have affected your business most, whether positively or negatively?

The 4Q18 slowdown had a negative impact to outstanding principal balances in 1st half of 2019. In some markets it resulted in annual closings outpacing annual starts for the first time in a while. Home closings were paying down loan balances faster than the fund-up of homes under construction.

In general, with builders reducing their starts in 4Q18, it resulted in less inventory to close by 2Q19, thereby impacting revenues in 1st half of 2019.

In which markets and sectors do you see the greatest investment opportunities for 2020?

In all markets, “attainable” for-sale residential is the largest need and greatest opportunity for many communities. Quality product in the lower price points of each market is where developers and builders will encounter the largest demand, to no surprise.

I think the only way to meet that price point is with more density in centralized locations – in proximity to employments centers, retail/dining/entertainment – versus detached product in sprawling suburbs that typically attracts the drive-til-you-qualify buyer.

What are the implications of a looming recession on the homebuilding market and what is your business doing to prepare for this possibility?

All the recession talk reminds people of the recent “Great Recession”, which was harsh and not a garden-variety recession with housing impacted hardest. The memory of that recession created a hangover feeling that no one wants to repeat. That’s why everyone pumped the brakes in 4Q18 and proceeded cautiously in starts afterward. Even if a recession happens or not in the next year, the anticipation of it has caused many markets that have been speeding along at 100mph to slow down to 75mph; which is ok.

However, today, there still remains an imbalance of supply & demand for housing. And even if there is a recession, people still need a place to live. But the need and demand will be for lower-priced product in the right locations & markets.

To prepare, we’re reminding ourselves to stay disciplined within our portfolios and maintain the targeted exposure between vertical and land that we identified four years ago. We will maintain and grow existing relationships because most of those relationships were established before the 2008 crash. Those borrowers are experienced, proven, and cycle-tested. We are also expanding by establishing new relationships with sponsors that are experienced & proven operators demonstrating sound financial results (good liquidity, low leverage, revenue, & profitability), have no history of comprised debt, and targeting projects that are middle of the fairway (conservative advance rates, avg price points, strong absorption).
What do you see as the biggest challenge for your business to overcome in the coming year?

Tightened banking regulations – even the possibility of them lead to further time & expenses to prepare what-if scenarios. If proposed regulations are enacted, then it will lengthen the approval process or increase denied requests, require bank to hold more capital thereby reducing lending limits & hold levels, etc.

The willingness and ability of local governments to foster an environment for development. Many markets have a housing shortage crisis. Those municipalities that are against further growth & development or unwilling to change zoning to allow for duplexes or townhomes where current zoning only allows detached will only add to current problem.

Even if the municipalities are willing to promote growth & development, are they sufficiently staffed to keep up?

Tell us about your last land and homebuilding deal. How was it structured?

Secured Revolver with Unlimited Guaranty/Environmental Indemnity with the purpose to finance the A, D, & C – acquisition, development, and subsequent vertical construction – in a single facility. Collateral for entire project taken at loan closing. As lots are finished, they convert right into vertical construction at an accelerated rate with required pacing and/or curtailment schedule. As the A&D allocation reduces it shifts allocation over to the vertical construction funding within the facility.

Deposit relationship is required and the ability to provide take-out mortgages to homebuyers to complete the relationship.
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<tr>
<td>Which significant market events in the last year have affected your business most, whether positively or negatively?</td>
<td>The drop in mortgage rates in the last year has had the biggest positive impact to our business.</td>
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<td>In which markets and sectors do you see the greatest investment opportunities for 2020?</td>
<td>We continue to see the greatest investment opportunities for 2020 in the entry level sector of the Las Vegas market.</td>
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<td>What are the implications of a looming recession on the homebuilding market and what is your business doing to prepare for this possibility?</td>
<td>Recessions are inevitable. As we enter the later stages of the current cycle in the homebuilding industry we are reducing our risk by focusing on acquiring smaller parcels of land and only buying land that we intend to start selling homes on within the next two years.</td>
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<td>What do you see as the biggest challenge for your business to overcome in the coming year?</td>
<td>Continuing to find the balance of acquiring an adequate amount of land to feed our pipeline of lots while not buying more land than we immediately need. I am also concerned with the recent increase in the spread between the 10 year yield and 30 year mortgage interest rates.</td>
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<td>Will we see continued consolidation in the national homebuilding market in 2020?</td>
<td>Yes, I expect to see continued consolidation in the national homebuilding market in 2020. Just last week I heard a rumor that DR Horton was considering purchasing KB Homes.</td>
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<td>Tell us about your last land and homebuilding deal. How was it structured?</td>
<td>We acquired 30 acres at the BLM auction last month. The BLM required a 20% deposit the day of the auction with the balance due in 180 days. We spent the 60 days prior to the auction meeting with public works and city council to ensure our plan for the site would address everyone’s needs.</td>
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William Ramsey
Principal
KTGY Architecture + Planning

Bill Ramsey brings over a fifteen years of market experience to his position as a Principal at KTGY. From design guidelines and site planning, to programming, schematic design and construction documents, Mr. Ramsey understands the many facets of a successful project. Licensed in California, Colorado, Nevada, Utah, Washington, Idaho and Texas, Mr. Ramsey recognizes how various trends and market-specific intricacies effect how a project is perceived. The ability to align all aspects of a project with the target demographic has made him a well-respected expert in his field.

Q  Which significant market events in the last year have affected your business most, whether positively or negatively?

The increase in builder / developer costs (land values, hard goods, labor, etc.) have accelerated faster than sales prices and rents. This makes deals even more challenging to pencil. In response there is an increased need to find design efficiencies. Whether they be in densities via land planning, or construction costs via details and material selection. I don’t think this is necessarily negative or positive, simply a reality of doing business right now.

In which markets and sectors do you see the greatest investment opportunities for 2020?

The build-to-rent market is starting to gain real momentum. The desire to live in traditionally for-sale properties like single-family and townhouses has not decreased, but affordability has. Developers are now looking to create for-rent communities using these historically for-sale product types.

What are the implications of a looming recession on the homebuilding market and what is your business doing to prepare for this possibility?

Any upcoming recession will be out of our control. The best thing we can do it continue to work toward the current market conditions while keeping a close eye on any potential changes. Any changes will be reacted and responded to quickly. Our business model is purposely diverse (project types, locations, public / private clientele, etc.) which gives more flexibility.

Will we see continued consolidation in the national homebuilding market in 2020?

Yes and no. I am sure that the public builders will continue to acquire smaller builders as they look to expand their market share. At the same time, there are many disrupters looking to enter the market and create new opportunities.

Tell us about your last land and homebuilding deal. How was it structured?

As an architect, this question doesn’t really relate to what we do. We are seeing more deals that are some kind of joint venture than we have in the past.

For more information or to register, visit www.imn.org/landwest or contact events@imn.org
Trece Herder

VP, Regional Land Acquisition
TRI Pointe Homes

Trece Herder is a fourth-generation home builder with a reputation for being passionate about evolving herself and coaching others to perform at higher levels. Today, she serves as the Regional Vice President of Land Acquisition for TRI Pointe Homes, managing land acquisition for the Bay Area and Sacramento divisions covering 16 counties. Previously she worked with Lennar, Cal Atlantic Homes (formerly Standard Pacific) in a regional capacity and Centex. Trece’s extensive portfolio of work, spanning 20+ years has been focused primarily on land acquisition, entitlement and project management, including several 1,000+ unit, large masterplan projects, but she also has experience in finance, sales, marketing and construction.

Which significant market events in the last year have affected your business most, whether positively or negatively?

Significant market softening with dramatic increase in mid-2018 due to hyper inflationary and severely undersupplied environment in the Northern California Market (primarily Bay Area) sustained over the last 4-5 years.

In which markets and sectors do you see the greatest investment opportunities for 2020?

Pivot to undersupplied, core markets and diversify to commuter centric more affordable, secondary markets. Rental market if you can buy land competitively.

What are the implications of a looming recession on the homebuilding market and what is your business doing to prepare for this possibility?

- Disciplined approach, no long land plays unless optioned with price adjustment mechanism. Land and development light.
- Concentrate on undersupplied and more affordable markets accessible to employment centers.
- Evaluating higher density housing, small lot options.
- Data centric-drive data to understand how markets are changing, where buyers are coming from and commuting to and who are the buyers. Track demand/supply metrics.

What do you see as the biggest challenge for your business to overcome in the coming year?

Driving down costs

Will we see continued consolidation in the national homebuilding market in 2020?

Yes, but likely slower pace

Tell us about your last land and homebuilding deal. How was it structured?

Phased takedown with part of purchase price paid at third party closings.
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.

**Q**

**Which significant market events in the last year have affected your business most, whether positively or negatively?**

On the positive side, demand remains strong, with sophisticated and knowledgeable home buyers that are ready to close on homes that are desirable to them. The Build To Rent business is an attractive opportunity to sell simple houses and generate steady cash flow. On the other hand, the volatility in mortgage rates, and seemingly constant potential for a rate cut, have reduced the sense of urgency among many potential buyers. The upcoming election, which feels a lot closer than it really is, will be a major distraction for the next 18 months.

**In which markets and sectors do you see the greatest investment opportunities for 2020?**

Primary MSAs are over crowded with public builders enjoying a relatively lower cost of capital to secure growth through attractive land positions. Smaller builders that are more creative with product can still find a niche to be successful. Build To Tent, tear down builders in infill locations, and modular homes are increasingly popular.

**What are the implications of a looming recession on the homebuilding market and what is your business doing to prepare for this possibility?**

The likelihood of a recession seems remote, and the key drivers for housing affordability remain robust. Consumer confidence, employment and income levels are strong, mortgage rates are low, as an industry we need to be more innovative to bring affordable new product to the market.

**What do you see as the biggest challenge for your business to overcome in the coming year?**

We are excited about the future and continuing to represent the builders that engage us to lead their fund raising and M&A efforts. Volatility always creates uncertainty but the underlying fundamentals remain strong.

**Will we see continued consolidation in the national homebuilding market in 2020?**

Yes, sellers continue to be attracted to merging into bigger companies with lower costs of capital and more innovative product. At the same time, the national builders are focused on M&A, with several creating new internal roles for senior level executives to prioritize sourcing deal flow.

**Tell us about your last land and homebuilding deal. How was it structured?**

The most recent transaction we worked on was for a large regional private builder that needed growth capital. We helped them to best understand the type of capital and cost that would be a best fit, after considering common equity and preferred equity, they ended up settling on land banking capital.

For more information or to register, visit www.imn.org/landwest or contact events@imn.org
**Andrew Murphy**  
*Chief Investment Officer*  
*Woodbridge Pacific Group*

Andrew D. Murphy is the Chief Investment Officer of Woodbridge Pacific Group, responsible for acquisitions, capital arrangement, and investment performance of the company’s $400M Southern California homebuilding portfolio. With $150M in annual sales, the company is one of the nation’s largest privately-held homebuilders. He joined the company in 2014, after leading homebuilding and real estate companies for over 20 years.

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| **Which significant market events in the last year have affected your business most, whether positively or negatively?**  
The pullback by luxury buyers, as well as the pullback by Chinese nationals, were two hits this past year. | |
| **In which markets and sectors do you see the greatest investment opportunities for 2020?**  
Anything that can target both ends of the demographic dumbbell, age-targeted to the 55+ and entry-level for the millennial buyers. | |
| **What are the implications of a looming recession on the homebuilding market and what is your business doing to prepare for this possibility?**  
Homebuilding isn’t leading the economy, and won’t lead the economy into recession. A slower economy will impact homebuyers, but overall building volumes are low, there’s no speculative excess, and debt has been conservative. A recession could be similar to the 2001 dotcom recession that didn’t affect homebuilding outside of a few select markets. | |
| **What do you see as the biggest challenge for your business to overcome in the coming year?**  
Generating attainably-priced homes in closer locations – doesn’t pencil on most available sites. | |
| **Tell us about your last land and homebuilding deal. How was it structured?**  
Phased takedowns with seller financing and profit participation. In secondary locations sellers can get their price if they stay in the deal and get paid later. | |
Find out more...
IMN’s 7th Annual Real Estate Private Equity Forum on Land & Homebuilding (West) will once again bring together a senior delegation of national and regional homebuilders, land developers, debt and equity investors and other service providers to the homebuilding industry.

In addition to those featured in this eBook, the conference features a speaking faculty comprised of over 60 experts from across the homebuilding field. They will explore the latest industry developments on a range of panel sessions, roundtable discussions and keynotes on such topics as Financing Strategies, Build-to-Rent, M&A Activity, Technological Innovation, and much more.

For further conference details or to sign up, please visit www.imn.org/landwest.

Conference Venue
Waldorf Astoria Las Vegas
3752 S Las Vegas Blvd
Las Vegas, NV 89158 USA
Phone: 1-702-590-8888
Website: Waldorf Astoria Las Vegas

For more information, please visit www.imn.org/landwest
or contact events@imn.org.
# 2019-20 Upcoming Real Estate Conferences

## OCTOBER
- **Real Estate Family Office**  
  October 16-17  
  Miami, FL
- **Middle-Market Multifamily**  
  October 16-17  
  Chicago, IL
- **Institutional Capital & Cannabis**  
  October 21  
  New York, NY
- **Hotel Construction & Development**  
  October 28-29  
  Santa Monica, CA

## NOVEMBER
- **Mezzanine & High-Yield Debt**  
  November 7  
  New York, NY
- **Mortgage Servicing Rights**  
  November 12-13  
  Los Angeles, CA
- **Opportunity Zones**  
  November 12  
  Los Angeles, CA
- **Cannabis Real Estate**  
  November 13  
  Los Angeles, CA
- **Non-QM Forum**  
  November 14-15  
  Los Angeles, CA
- **Middle-Market Multifamily**  
  November 18-19  
  Atlanta, GA

## DECEMBER
- **Single Family Rental**  
  December 4-6  
  Scottsdale, AZ
- **Non-Listed Alternatives**  
  December 4-5  
  Dana Point, CA

## JANUARY
- **Student Housing 360**  
  January 16 - 17  
  Dana Point, CA
- **Real Estate Opportunity & Private Fund Forum**  
  January 22 - 24  
  Laguna Beach, CA

## FEBRUARY
- **Middle-Market Multifamily (Northeast)**  
  February 6 - 7  
  New York, NY
- **NPL Notes & Default Servicing**  
  February 10 - 11  
  Fort Lauderdale, FL
- **Bank Special Assets (East)**  
  February 24 - 25  
  Miami, FL
- **Institutional Capital & Cannabis Europe**  
  February 24  
  Frankfurt, Germany

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