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# Developer Sells Land Dirt Cheap to Reap Tax Benefits

## *D.R. Horton Unloads California Parcels, Signaling a Shift Amid Housing Slump*

BY MICHAEL CORKERY

AS IT STRUGGLES through the housing crisis, home builder **D.R. Horton** Inc. is unloading land across California at big discounts.

Horton, the nation's largest home builder by unit volume, is jettisoning thousands of house lots in far-flung areas, partly to reap the tax benefits from selling property at a loss.

As builders try to survive one of the worst housing downturns in U.S. history, land buyers and brokers expect more such tax-motivated fire sales of undeveloped land this year. That could set a new low for land prices in California, one of the nation's most troubled housing markets. The sales also could indicate a shift for big builders: from developing huge swaths of land in the exurbs, to building smaller developments closer to metropolitan areas.

Within the last few weeks, Horton sold about 2,000 house lots in Desert Hot Springs, a blue-collar community in the far reaches of Southern California's Inland Empire, for about $10 million, according to William Shopoff, a land investor who bid unsuccessfully for the property. He estimates Horton paid about $110 million for the land before spending to prepare the property for development by grading and installing infrastructure such as sewers.

Horton also recently sold a four-acre parcel in Escondido, near San Diego, for $4.4 million, about 25% of what it paid for the property in 2005, according to the county assessor.

Horton, based in Fort Worth, Texas, declined to comment for this article.

Buyers of some of Horton's land in Southern California include a venture between **Foremost Communities** Inc. and **Starwood Capital Group** LLC, which together bought 250 house lots from the builder, according to a person familiar with the matter. The investors plan to hold the lots until the market recovers, this person said. A spokesperson for the venture didn't return a call.

As new-home sales sank to a 17-year low, builders can no longer count on doubling their investments by buying undeveloped parcels, preparing the property and selling the homes on it. Horton, which built nearly 52,000 homes at the peak of the housing boom in 2006, has posted quarterly losses since the April-June quarter of last year.

The fire sales are a silver lining in those clouds. Tax law allows companies to apply losses from land and other asset sales to past profits and reap a tax refund. More sales are expected soon because the companies can apply losses only to profits earned as far back as two years and 2006 was the last profitable full year for most builders.

Horton told investors in June that it expects to receive a tax refund of $519 million over the next two years. At the end of last year,

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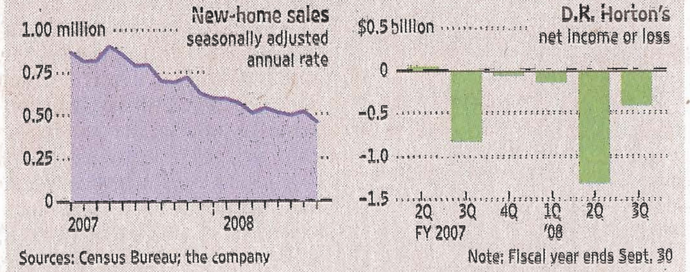
**In the Cellar**

As home sales have dropped, so have developer D.R. Horton's earnings.




Sources: Census Bureau; the company

## Distressed-loan deals pay off for Trinity Capital

**Will Boye** Senior Staff Writer, *Charlotte Business Journal. Nov. 2012*

Trinity Capital is looking for the next NASCAR Plaza, but that office tower's turnaround story may be tough to replicate.

Over the last couple of years, the real estate investment and development firm has focused on investing in what it calls "broken" capitalizations — office buildings saddled with loans that exceed the value of the properties.

When Trinity teamed with majority investor Rubenstein Partners to buy NASCAR Plaza in December 2010, the 390,000-square-foot building at South Caldwell and East Stonewall streets was 37% occupied and had gone into foreclosure after its owner defaulted on a $95 million loan in late 2009.

After buying the building, Trinity and Rubenstein lowered lease rates and brought in new tenants including Chiquita Brands International Inc., which signed a 13-year lease for 138,000 square feet earlier this year.

Last week, real estate investment trust Parkway Properties Inc. announced it **had agreed to buy the building for about $100 million. While Trinity executives won't discuss what they paid for the property's debt and equity, real estate sources say Trinity and Rubenstein's purchase price was around $50 million.**

The property's financing seems in line with that number. Trinity and Rubenstein secured up to $49 million in debt from Wells Fargo & Co. in **early 2011.**

"It rewards our investors for investing with us," says Walker Collier, a partner at Trinity. "It's nice for a deal that was bought in the middle of the downturn to come full circle."

## Crescent sheds assets as debt deadline looms. Charlotte Business Journal

Apr 27, 2009, 12:00am EDT

Charlotte real estate giant Crescent Resources has adopted an aggressive new business strategy driven by a mountain of debt.

The developer best known here for high-end real estate communities such as The Peninsula and Ballantyne Country Club is rapidly dumping assets at fire-sale prices.

In October, Crescent sold 4,500 acres in Berkeley County, S.C., to MeadWestvaco Corp. for $40 million. **In December, the company sold a Florida apartment project for $11.35 million, less than half the $27 million it paid for the complex three years earlier.**