



# Equity Partnerships 101

**PRESENTED BY:**

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January 21, 2009  
1:15 PM – 2:45 PM

# Depleted cash and equity

- Trying to stay alive
- Banks demands for more equity



# With recovery, you need equity

- To invest in new homes and projects
- Banks will not want to invest in real estate
- Not only need to replenish lost equity
- Replace lending previously supplied by banks



# Need to look NOW

- It takes a long time
- Need to be on investors radar screen



# Sticker Shock

- Equity money is very expensive
- Generally 20% to 25% IRR
- One group requested 35% IRR
- Better than not having equity
- In a position to take advantage of opportunities



# Current Status of Equity Money

- A lot of money sitting on the sidelines
- Waiting for the bottom
- Want to buy assets at 10 to 30 cents on the dollar
- Remember the RTC days
- Generally interested in passive investments
- Hold for 3 to 5 years
- Don't want to be involved in operational investments
- Story of last year



# Searching for Sources of Equity



# Land Owners

- Has been a traditional source of equity
  - Land acquisition and development
- The deal
  - Land owner puts in the land
  - Builder put in the expertise
    - land planning
    - Entitlement
    - Development
- Few of these deals will be done now
  - Finished lots not worth development costs
- Very good equity source as market strengthen





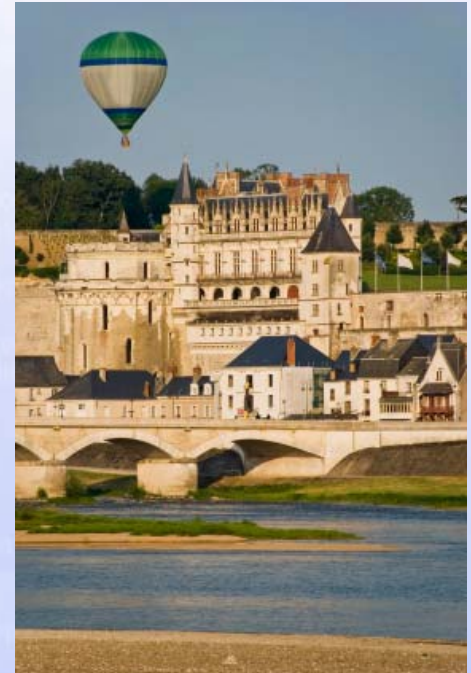
# Land Developers

- Left with finished lots abandoned by builders
- Needs to deliver lots
  - Satisfy investors and banks
- Needs builder to build homes to dispose of lots
  - Many have started home building companies during prior recessions
- The deal
  - Lots subordinated to construction loan
  - Joint venture
  - Management Fee



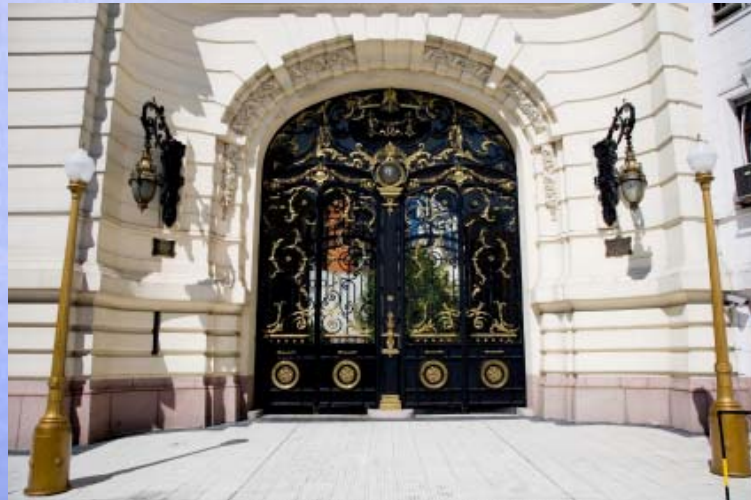
# Financial Institutions

- Work out opportunities
  - Help bank liquidate REO properties
- The deal
  - Sell assets at very favorable prices, terms and conditions
  - Hire for a fee to manage asset
- CAUTION
  - Be careful with unfinished inventory
  - Money in construction loans not adequate
  - Potential liens and other problems



# Financial Institutions con't

- Maintain a good relationship with bank
- REO or Special Assets Manager
- Banks haven't done much yet
- Several of our builders are doing work outs
- One did more than \$1 million last year



# Wealthy Individuals

- A number of our builders have joint ventured with a wealth individual
  - Land banking
  - High end spec homes
  - Substantial equity for part ownership



# Larger Companies

- Joint ventures with:
  - Oil companies
  - Manufacturers
  - Rail roads
- Have idle land and facilities they want to liquidate
- Can lead to long term relationship



# Private Investment Funds

- Number of individual investment funds
  - Investment strategies
- Need to network to locate



# Foreign Capital

- Very elusive
  - Have chased for a long time
  - Never able to generate results
- Probably going to spend a lot of time and money



# Trade Contractors and Suppliers

- A forgotten group of potential equity investors
- Vested interest
- Historically lumber yards
- Generally house by house equity





# Investment Bankers

- Very expensive money
- Tend to deal in \$50 million plus deals
- Not interested in our size deals
  - \$1 to \$10 million
  - Historically no man's land
    - Too big for some
    - Too small for others



# Friends and Family

- This is a misnomer
  - Wealthy father
  - Rich uncle
- Regulation D Offering
  - Limited to 35 investors
  - Great source for equity capital
  - Can't be sloppy
- Generally \$10 million or less



# Friends and Family con't

- Need to have your lawyer involved
  - Agreement
  - Business plan
  - Disclaimers
  - “Big Boy” letter



# Funds Raised through Networking

- Doctors
- Dentists
- Lawyers
- Accountants
- Country club members
- Charity organizations
- Wealthy friends



# Someone to help raise money

- Salaried
  - Doesn't have to be a registered investment broker
- Commission
  - Needs to be a registered investment broker



# Summary



- Lots of sources for equity capital.
- You need to be working **NOW** to develop the relationships.
- Money is on the sidelines waiting.
- People like real estate investments.
- When the bottom of the market is perceived the flood gates will open.
- You want to have done your homework so you are in a position to ***take advantage of the opportunities.***

# Questions & Comments





**Shinn Consulting** is a widely recognized and well-respected leader in *providing support and training to homebuilders* and other organizations in the home building industry.

**Builder Partnerships** operates as an agent for its members and associates aimed at *fostering communication and cooperation* between builders and manufacturers through the management of a competitive rebate program.



# Featured Services

- Virtual Advisory Board
  - Hourly coaching-consultation with market-tested strategies for your specific, urgent problems
- Customized, quick, reasonably-priced land valuation and / or project forecasts
- In-house customized training programs
- In-depth understanding of home builder operations
- Specific market research / intelligence
- Evaluation of key performance ratios
- Home builder advisory assistance to help clients cut costs, sell houses, and pay off loans
- Assistance in restructuring loans to increase payoff
- Assistance with liquidations or workouts
- Sale of assets

**Contact Emma Shinn at [eshinn@theshinngroup.com](mailto:eshinn@theshinngroup.com) to discuss service options.**

# Upcoming Webinars



- **Market Watch 2009**
  - January 30, 11 AM EDT
- **Get More from your Current Website**
  - February 11, 11 AM EDT
- **Financial Impacts:  
Decisions for Changing Markets**
  - February 19, 4 PM EDT

Visit the Builder Partnerships Events page for more information.

[www.builderpartnerships.com](http://www.builderpartnerships.com)

# Increase your Returns



- Most manufacturers offer incentive programs but not many builders are taking advantage of them to the fullest extent
- Builder Partnerships offers **over \$2500** in incentives per unit constructed
- Builder Partnerships allows you to focus your efforts on negotiating to get the best price without having to worry about the rebates
- We manage the incentive programs and follow up with manufacturers to collect the money so you don't have to
- For more information on how to join, contact Glenn Singer ([glenn@builderpartnerships.com](mailto:glenn@builderpartnerships.com)).

# BUILDER PARTNERSHIPS

## MANUFACTURER ASSOCIATES:

## SERVICE ASSOCIATES:



## Builder Clients



*Shinn Group clients represented by the red dots, blue diamonds indicate Builder Partnerships members*

The Shinn Group has over 500 builder clients disbursed throughout the US and Canada. Our clients typically construct between 50-2000 units annually. They build across all price points. Many of our clients are repeat award winners and leaders in their respective markets.

Through Builder Partnerships, we represent over 110 builders constructing approx. 25,000 units annually across the US and Canada