

VANGUARD LAND

DEVELOPMENT & INVESTMENT

VANGUARD LAND WEIGHS RISK VS. REWARDS WHEN INVESTING

By Kevin McQuaid

Published by Business Observer: March 6, 2020

Vanguard Land Co. bet big on properties coming out of the last decade's economic recession that many believed were unsalvageable, boom-time pipe dreams best left alone.

In south Sarasota County, the Sarasota investment company partnered in early 2014 with Ontario-based Mattamy Homes to buy the nearly 10,000-acre Thomas Ranch, which would become part of the West Villages master-planned community.

In addition to its sheer size, the property was saddled with a location between North Port — a municipality whose ambitions and desire for growth exceeded the number of people who lived there — and Port Charlotte, a Charlotte County city that never quite fulfilled the potential it was sold on in the 1960s.

Undaunted, Vanguard Land and Mattamy teamed to strike a deal with lender Synovus Bank to acquire the property for \$86.25 million — at the time one of the largest residential land deals in the nation.

The risk there was considerable, but not unfamiliar.

Two years earlier, Vanguard had negotiated with lender Wells Fargo to buy 113 home sites in the luxury The Concession Golf Club & Residences community in Manatee County — east of Lakewood Ranch.

Conceived in 2003 by Core Development Inc., the co-developer of the Ritz-Carlton Sarasota, the \$600 million project was viewed by many as too isolated, too far from both the area's beaches or urban centers.

Despite sporting a Jack Nicklaus-designed golf course that had won national attention, many believed the 1,250-acre Concession's second phase would wither from lack of consumer interest.

Vanguard's \$7.9 million purchase showed it disagreed.

By 2017, all of the Concession's lots were sold out. In many cases, the land Vanguard paid roughly \$70,000 a lot for sold, in turn, for \$350,000 and up.

In both instances, Vanguard's chief executive downplays the risk the firm took on and credits its market analysis for its success.

"We were aware of the housing starts, what they had been in the boom times and where they were during and after the recession," says John Peshkin, the former CEO of British homebuilder Taylor Woodrow N.A. who formed Vanguard Land in 2008.

"We saw where they were starting to go beginning in 2011, and we through analysis concluded that they were well below the historical trend lines and numbers. From a macro-economic perspective, we knew things were and would be improving. Looking at it from a cyclical view, we were expecting an uptrend."

Peshkin notes that in both developments, Vanguard Land was able to negotiate with lenders, motivated sellers anxious to clear loans that were either nonperforming or projected to underperform from their collective books.

In both cases — and in other developments that it has taken on — Vanguard acquired the land at a basis that minimized its risk considerably.

"To buy at the basis we did, to buy finished lots in the Concession meant that we assumed no development risk," Peshkin says. "Our cost was less than it would have been to develop there, which meant that no one could compete with us.

"And we knew Lakewood Ranch, and the quality there, and the Mall at University Town Center being developed at the time nearby, both were tangible, positive assets that further compelled us forward."

Taken together, Peshkin says Vanguard's risk to reward ratio was small.

"I think we fully understood the community and the surrounding area, and based on that we believed that we'd benefit from any recovery," he says. "Fortunately for us, the recovery was stronger and faster than we had initially projected."

At The Ranch, in West Villages, Vanguard's familiarity with Mattamy — several of its top executives had worked at Taylor Woodrow — as well as investments nearby by homebuilding powerhouses such as Lennar Homes, Neal Communities, WCI Communities and Pulte Homes gave the company confidence.

Again, in-depth financial analysis proved to be key.

"We ran several scenarios for risk-adjusted returns and came up with what success would look like," Peshkin says. "Ultimately we saw it as a prized asset with a lot of opportunity."

West Villages is today among the fastest-growing master-planned communities in the nation, consistently ranked among Lakewood Ranch and other projects for sales and investments.

In November, Mattamy announced it had acquired all of Vanguard Land's interest for an undisclosed amount.

Peshkin, who led the Vanguard Land-Mattamy partnership and the "execution of strategies" developed in conjunction with Mattamy leadership, stepped down.

"It was a favorable agreement for both parties," Peshkin says only.

With Concession and The Ranch behind it, Vanguard Land has turned its focus to a series of other, albeit somewhat smaller in most cases, projects.

In Sarasota County, it has teamed again with Mattamy to deliver Sunrise Preserve, with 425 homesites, and with DR Horton to develop Toscana Isles, with 1,700 homesites in Venice.

Venice, too, is also the site of Mira Sol, a 50-acre, mixed-use project being designed for apartments and potentially senior living units, retail and office space. Vanguard Land has 32 of the projects' total acreage it is currently marketing.

Elsewhere in the county, Vanguard Land has acquired a select few homesites on Siesta Key for a series of luxury homes, and the company also controls commercial properties in Tampa, Bradenton, Largo, West Palm Beach and Queens, N.Y.

And while Vanguard Land remains bullish about the future and the economy, Peshkin acknowledges that the company has had to alter its business plan and rely less on distressed land deals.

"We recognize there's not a lot of low-lying fruit now," he says. "We're having to re-invent ourselves and we're modifying our business strategy to meet the new market we're in."

On the land side, the company is concentrating on adding value not through purchases as much as design, engineering and in the entitlement process.

But at least one thing has not changed — the company's core philosophy.

"We tend to dwell in the fear of failure rather than in past success," Peshkin says. "We always try to measure ourselves looking forward rather than back. And we maintain a conservative view of things and always stay focused on looking at potential exit strategies."