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# Irvine Co. Weighs More Homebuilding in Irvine

By Mark Mueller



Irvine Co.'s Woodbury East: more than 520 homes sold in two developments

Irvine Company is looking to do more homebuilding after what it calls robust sales at two developments near the former El Toro Marine base in northern Irvine.

More than 520 homes at the company's Woodbury and Woodbury East projects are under contract to be sold so far this year, bucking a still slow housing market. About 230 of the homes have closed escrow.

The home sales stand to bring in \$350 million or more in revenue, based on the minimum sales prices at each project.

The projects are responsible for close to 60% of new home sales the county's seen through the first half of the year.

Irvine Co. now is looking at developing more land on the historic Irvine Ranch, according to Dan Young, president of Irvine Co.'s community development division, which plans and oversees building of homes, parks and shopping centers on company land.

"Right now, we're just riding the wave," Young said. "We're trying to close as many sales as we can." After financing a bulk of the recent batch of Woodbury homebuilding itself—a departure from Irvine Co.'s normal business model—the company is starting to sell lots directly to homebuilders again. Newport Beach-based Irvine Co. also has taken on the role of homebuilder itself, revamping the dormant Irvine Pacific LP name for homes in Stonegate East, a development to the north of Woodbury East near the Eastern (133) Toll Road.

Young heads up Irvine Pacific, which has plans to build about 250 homes at Stonegate East. The homebuilder opened a sales office at the project site earlier this month.

## **Prices**

Sales have been driven by what are considered affordable prices for Irvine, starting at \$300,000. Irvine Co. has worked with the city and school district to bring down homeowner association costs and taxes for the Stonegate East and Woodbury projects, Young said.

Irvine Co. could consider building at two other Irvine areas, Young said. It's already started preparing land at one of the sites.

"We're thinking the two next (projects) would be Stonegate and Laguna Crossing. We'll see how that goes," he said.

Stonegate is near the Stonegate East and Woodbury projects. Laguna Crossing is slated to go up just west of the San Diego (I-405) Freeway along Laguna Canyon Road, in the hills overlooking the Irvine Spectrum.

That project appears to have seen more grading work done in the past few months.

"We're still not at a state in the economy that supports mass homebuilding," Young said. "But I think we can meet (buyer) demand."

Planning for growth is a good problem to have for Young, who took the top spot at the housing development arm of Irvine Co. in late 2007, just as the market slowed to a crawl.

Most of the homes sold so far are part of the 2010 New Home Collection that Irvine Co. rolled out early this year. A total of about 685 homes are being built under the program with about three-fourths sold or under contract to be sold.

Irvine Co. originally hoped to sell out the homes in about two years.

Four neighborhoods already are sold out, according to Young: Riverside-based Van Daele Homes' Santa Rosa, Los Angeles-based KB Home's Coronado and Fairfax, Va.-based Brookfield Homes Corp.'s Montecito and Monterey projects.

The 101-home Coronado project, which had homes starting at about \$575,000, has been KB Home's best-selling project, company officials said earlier this year.

Three other neighborhoods that rolled out in January—Aliso Viejo-based New Home Co.'s Carmel, Newport Beach-based Tri-Pointe Homes Inc.'s Sonoma and Van Daele's Santa Cruz—are expected to sell out soon.

Those seven projects also are the top-selling projects in Orange County so far this year, based on sales per month, according to data from Costa Mesa-based Hanley Wood Market Intelligence. “These are moments you hope for when you’re in homebuilding,” Young said.

An eighth project, called Santa Barbara, was announced a few months ago, using longtime local builder California Pacific Homes of Irvine. The first phase at that 125-home project, totaling 14 homes, is “virtually sold,” according to Young.

California Pacific is led by Cary Bren, son of Irvine Co. Chairman Donald Bren.

Like most of the neighborhoods now going up in Woodbury, California Pacific is operating under Irvine Co.’s executive builder program.

That’s where Irvine Co. is financing construction of the homes and paying the individual builders a fee to put up the homes to the developer’s specifications.

The builders are expected to be paid 3% to 6% of each home’s price.

### **Selling Lots**

Irvine Co. traditionally has sold lots to builders that put up homes according to specifications set by the company.

That business model is beginning to return. In Woodbury and the nearby Portola Springs development, Irvine Co. has begun selling lots again to builders, including KB Home, Taylor Morrison, part of Britain’s Taylor Wimpey PLC, Newport Beach-based William Lyon Homes Inc. and Irvine’s Standard Pacific Corp.

Land sale prices for those deals weren’t disclosed. They’re believed to be well below peak market prices of 2005 and 2006, when some Irvine Co. parcels sold for close to \$3 million an acre or more. “We’re getting a fair price for our land,” Young said.

In general, housing land prices in OC are anywhere from 30% to 50% below where they were at the peak of the market, according to Tom Dallape and Norm Scheel, principals at Irvine-based land brokerage Hoffman Co.

Profits for homes built on the Irvine Ranch “are thin, but (builders) know they’ll be profitable,” Dallape said. “They’re taking little risk.”